CANADA

RESTRICTIVE TRADE PRACTICES COMMISSION

REPORT

Concerning the Meat Packing Industry and the Acquisition of Wilsil Limited and Calgary Packers Limited by Canada Packers Limited

DEPARTMENT OF JUSTICE
OTTAWA

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RESTRICTIVE TRADE PRACTICES COMMISSION

REPORT

CONCERNING THE MEAT PACKING INDUSTRY AND THE ACQUISITION OF WILSIL LIMITED AND CALGARY PACKERS LIMITED BY CANADA PACKERS LIMITED

COMBINES INVESTIGATION ACT

Ottawa
1961

98825—1

RESTRICTIVE TRADE PRACTICES COMMISSION

C. Rhodes Smith, Q.C., M.A., LL.B., B.C.L.
Chairman

Pierre Carignan, Q.C., M.A., LL.L.
Member

A. S. Whiteley, B.A., M.A.
Member

RESTRICTIVE TRADE PRACTICES COMMISSION

OTTAWA

Room 451, Justice Building,
August 3, 1961

Honourable E. Davie Fulton, P.C., Q.C., M.P.,
Minister of Justice,
Ottawa.

Dear Sir:

I have the honour to submit to you herewith the report of the Restrictive Trade Practices Commission dealing with the meat packing industry and the acquisition of Wilsil Limited and Calgary Packers Limited by Canada Packers Limited.

The matter was brought before the Commission by the submission of a statement of the evidence obtained in the inquiry by the Director of Investigation and Research under the Combines Investigation Act and has been dealt with in accordance with the provisions of sections 18 and 19 of the Act.

Evidence and argument in regard to the Statement of Evidence were heard by the Commission at Toronto between October 3 and 31, 1960. Messrs. R.M. Davidson and F.N. MacLeod appeared on behalf of the Director of Investigation and Research, and Messrs. C.F.H. Carson, Q.C., D.R.C. Harvey, Q.C. and J.B.S. Southey appeared on behalf of Canada Packers Limited.

Yours faithfully,

(Sgd.) C. Rhodes Smith

C. Rhodes Smith
Chairman

RESTRICTIVE TRADE PRACTICES COMMISSION

OTTAWA

Room 431, Justice Building,
August [illegible], 1961

Honourable E. Davie Fulton, P.C., Q.C., M.P.,
Minister of Justice,
Ottawa.

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Evidence and argument in regard to the Statement of Evidence were heard by the Commission at Toronto between October [illegible] and 21, 1960. Messrs. [illegible] and [illegible] appeared on behalf of the Director of Investigation and Research, and Messrs. [illegible], Q.C., [illegible], Q.C. and [illegible] appeared on behalf of Canada Packers Limited.

Yours faithfully,

(Sgd.) C. Rhodes Smith

C. Rhodes Smith
Chairman.

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CHAPTER I

INTRODUCTION

1. Reference to the Commission

This inquiry, which was made by the Director of Investigation and Research, was brought before the Restrictive Trade Practices Commission under the provisions of Section 18 of the Combines Investigation Act by the submission of a statement of the evidence obtained in the inquiry under date of July 22, 1959. At the same time the Director submitted a copy of the Statement of Evidence to Canada Packers Limited, against whom allegations were made therein, in accordance with Section 18(1) of the Act. In the Statement of Evidence and in this report Canada Packers Limited is sometimes referred to as "Canada Packers" or the "Company".

The situation giving rise to the inquiry was stated by the Director to be the reported acquisition of Calgary Packers Limited by Canada Packers and the information subsequently obtained that Canada Packers had also acquired Wilsil Limited.

2. Conduct of the Inquiry

No hearings for the taking of evidence were held on application of the Director during the course of the inquiry. The Statement of Evidence was chiefly compiled from documents and extracts which had been selected for copying from the books, papers and records of Canada Packers at the head office of the Company in Toronto. The documents so selected and copied were marked with the code letters EKB and individually numbered and will be so designated when referred to in this report. Other documents relied on by the Director were obtained from offices of Canada Packers in Montreal, Toronto and East Saint John in an earlier inquiry into the fertilizer industry in 1954 and bear the code letters CPM, CPN and CPQ.

The internal communications and memoranda of Canada Packers which are contained in the documentary evidence in the

inquiry were written over a period of years, and the positions of some of the officials concerned with the matters referred to changed during the period. Although the evidence in the inquiry does not indicate fully the positions of all officials who were the authors of documents cited or between whom the communications were exchanged, the following list of personnel sets out the available information and will be of assistance in identifying various officials of the Company whose names appear in connection with various documents cited:

C. C. Babcock	- General Provision Manager; formerly Toronto Provision Manager.
R. G. Barton	- Assistant Plant Manager, Winnipeg.
F. L. Blair	- General Sales Manager.
H. J. Book	- Manager, Margarine Department.
D. G. Brown	- Assistant Plant Manager, Hull.
J. S. Brown	- Manager, Shortening-Margarine Department, Montreal.
J. D. Browne	- Fertilizer and Feed Division, Chatham.
L. R. Cameron	- General Beef Manager, Toronto.
W. R. Carroll	- Director; formerly Vice-President and Assistant General Manager.
F. W. Chalmers	- Plant Manager, Edmonton.
A. J. E. Child	- Formerly Vice-President and Treasurer, and Director.
G. H. Dickson	- General Manager and Director; formerly Assistant General Manager and previously Provision Manager.
D. Dupre	- Manager, Fertilizer and Feed Division, Montreal.
J. Easton	- Manager, Calgary Packers Limited; formerly Beef Manager, Edmonton.
H. C. Farnsworth	- General Produce Manager and Director; formerly Plant Manager, Montreal, and previously Plant Manager, Hull.

D.L. Foreman	- Provision Manager, Montreal.
A.G. Hall	- Director; formerly Manager, Beef Department, Toronto.
G.E. Hartlen	- Plant Manager, Charlottetown.
P.C. Kelly	- Plant Manager, Montreal.
H.A. Knox	- Plant Manager, Hull.
W.W. Lasby	- Assistant General Manager and Director; formerly Plant Manager, Toronto.
J.K. Leggatt	- Manager, Saint John Fertilizer and Feed Division.
S.F. McDougall	- Plant Manager, Edmonton.
W.F. McLean	- President since August, 1954; formerly Vice-President and Director.
J.S. McLean	- President until 1954.
N.J. McLean	- Presently Chairman, Board of Directors; formerly Vice-President and General Manager and Director.
A. Mooney	- Sales Manager, Fertilizer and Feed Division, Toronto.
G.D. Mungall	- Assistant Plant Manager, Montreal; formerly Manager, Fertilizer and Feed Division, Montreal.
H.M. Murray	- General Provision Manager and Director.
W.R. Parliament	- Assistant General Manager and Director; formerly Plant Manager, Winnipeg and Director.
T.J. Payne	- Manager, Fertilizer and Feed Division, Toronto.
C.C. Polkinghorne	- Formerly General Sales Manager and Director.

G.A. Schell	- Executive Vice-President and Director; formerly Vice-President and Assistant to President.
C.J. Smith	- Toronto Sales Department.
C.A. Stewart	- General Manager, Fruit and Vegetable Division.
D.M. Stewart	- Plant Manager, Vancouver.
F.O. Thompson	- General Provision Manager, Montreal; formerly Assistant General Provision Manager, Montreal.
W.B. Tranter	- Beef Manager, Vancouver.
J.D. Wadsworth	- Assistant to Plant Manager, Toronto.
B.R. Walker	- Manager of Shortening Department, Toronto.
F.A. Wiggins	- General Produce Manager, Toronto, and Director.
E.P. Zimmerman	- Manager of Soap Department.

Written returns of information were also obtained in the inquiry by the Director from Canada Packers, Wilsil Limited and Calgary Packers Limited, and from certain other companies in the meat packing industry, as well as from the former owners of Calgary Packers Limited. In addition, at the request of the companies concerned, individual returns to the Dominion Bureau of Statistics were made available to the Director and the Dominion Bureau of Statistics prepared some special tabulations of statistics.

In compiling the Statement of Evidence the Director also had reference to evidence given by representatives of various packing companies and others before the Special Committee and Royal Commission on Price Spreads and Mass Buying in 1934 and 1935, before the Special Committee and Royal Commission on Prices in 1948 and 1949, and before the Royal Commission on Price Spreads of Food Products in 1958. Reference was also made to published studies relating to the slaughtering and meat packing industries and to economic concentration published by governmental agencies, organizations and individuals in Canada and the United States.

3. Hearing of the Commission

By an order dated September 24, 1959 the Commission fixed Monday, March 28, 1960 at 10 o'clock in the forenoon, in the City of Toronto, Ontario as the date, time and place at which argument in support of the Statement of Evidence could be given by the Director and at which persons concerned in the inquiry would be allowed full opportunity to be heard in person or by counsel, in conformity with Section 18(2) of the Combines Investigation Act. Following representations made on behalf of Canada Packers that the date so fixed would not give the Company sufficient time to prepare an adequate submission, the date of the hearing was changed to October 3, 1960.

At the hearing, which began on October 3, 1960 and concluded on October 31, 1960, the following appearances were entered:

R.M. Davidson F.N. MacLeod	- for Director of Investigation and Research
C.F.H. Carson, Q.C. D.R.C. Harvey, Q.C. J.B.S. Southey	- for Canada Packers Limited

Before argument was heard by the Commission the following witnesses were examined and exhibits numbered H-1 to H-204 were received:

W.F. McLean	- President, Canada Packers Limited.
Dr. G.F. Clark	- Research Executive and Manager of Research, Canada Packers Limited.
C.F. Alton	- General Sales Manager, Canada Packers Limited.
G.A. Schell	- Executive Vice-President and Director, Canada Packers Limited.
W.W. Lasby	- Assistant General Manager and Director, Canada Packers Limited.

Arthur Evans	- Manager of the Toronto Plant, Canada Packers Limited.
George Mills	- Head Cattle Buyer, Canada Packers Limited.

For purposes of clarity, reference in this report to evidence given at the hearing before the Commission will be made as follows: "Hearing, p. . . .".

4. Allegations

The particulars of allegations set out in the Statement of Evidence were modified during the course of argument and in their amended form are as follows, the numbers being those of paragraphs in the concluding chapter of the Statement of Evidence:

"114. Meat has a large place and one of increasing importance in the diet of the Canadian public. The consuming public therefore has a very great interest in a competitive processing industry. Livestock production occurs on three-quarters of the farms in Canada and accounts for over half farm cash income. Farmers therefore also have a very great interest in a competitive processing industry.

115. While the export of livestock has at times been an important determinant of the price of livestock to Canadian producers, large variations in exports have occurred and the export market cannot be depended upon to provide effective competition in the absence of competition among domestic processors. Imports of meats have never amounted to a significant percentage of Canadian consumption, and the consuming public cannot look for protection to this source, in the absence of competition among domestic processors.

116. The acquisition by Canada Packers of Wilsil and Calgary Packers increased the degree of concentration in an industry in which concentration was already excessive. Having regard only to Canada Packers' better than one-third share of total inspected slaughter does not indicate the significance of concentration for several important reasons. In the first place Canada Packers supplements its kill of hogs with purchases on the wholesale market so its position is understated by its percentage of the kill. Second, in some areas Canada Packers controls significant cold storage capacity and it generally controls substantial storage

holdings. It therefore derives additional influence over price through the timing of purchases for its storage program and through the timing of withdrawals of its freezer stock. Third, half of Canada Packers activities have to do with products which are not derived from livestock and consequently its market power is greatly understated by referring only to its meat-packing and by-product operations. Fourth, there has been a substantial decline in the importance of non-inspected slaughter. Fifth, the importance of Canada Packers in the industry is not a constant factor but varies from area to area. While there is competition between markets, significant imperfections exist and prices often differ between markets by amounts which do not reflect the cost of shipping between them. A sixth factor is the common interest which arises out of Canada Packers' connection with the Dominion-Thrift organization and formerly with British Columbia Packers, which relationships give Canada Packers an advantage unrelated to efficiency over other meat packers and other manufacturers of shortening and margarine. Most important of all however, the significance of the degree of concentration which exists in the meat-packing industry is greatly enhanced by Canada Packers' history of anti-competitive behaviour. This point is dealt with in the following paragraphs.

117. The growth of the three national packers including Canada Packers has depended to an important extent upon the acquisition of other plants or firms in non-meat as well as meat-packing fields. Their size therefore is no evidence of superior economic performance.

118. The formation of Canada Packers in 1927 merged four of the largest companies then in operation in the meat-packing business in Canada. The substantial elimination of competition which this involved permitted Canada Packers to increase greatly the prices charged for its processing services, as evidenced by the great swing in earnings in one year from heavy losses to substantial profits. This swing depended only to a limited extent on cost reductions.

119. The existing level of concentration in the slaughtering and meat-packing industry is particularly serious because it is the expressed policy of Canada Packers to look to further acquisitions as a foundation for its growth.

120. In addition to contributing to the market power of Canada Packers, its operations outside the meat-packing field provide evidence of what its overall policies have been in the conduct of its business and of its likely behaviour in the future. In

connection with the most important by-product of the meat-packing industry, Canada Packers accounts for a substantial share of all packer hides and skins and controls a high proportion of the output of all Canadian tanneries, particularly of sole and calf leather. Sole leather receives substantial tariff protection. Canada Packers' position in the tanning industry, which was already becoming more and more concentrated, was achieved by consolidating under one control several of the largest tanning companies in the industry. The assurance of an outlet at market prices for its hides and skins, by eliminating risk and uncertainty, increases Canada Packers' ability to influence the market for livestock and meat. Similarly, the elimination of risk and uncertainty, in respect of supplies, provides the tanneries controlled by Canada Packers with an advantage over other tanneries, none of which are integrated with an important meat-packer.

121. Canada Packers accounts for a substantial part of the domestic supply of oils of animal origin, it has had an advantage in the procurement of marine and fish oils through its connection with British Columbia Packers, and it is the largest vegetable oil refiner in Canada. Because of this, and because the 1927 consolidation out of which Canada Packers emerged brought together two brands of shortening which enjoyed practically a monopoly of the retail packing trade, the manufacture of shortening in Canada is now an extremely highly concentrated industry, the bulk of the business being done by Canada Packers and Procter & Gamble. In the margarine industry, Canada Packers has not been able to maintain its share of the business against the competition of smaller competitors, although there is still an important degree of concentration in the industry, much greater than exists in the industry in the United States. On at least one occasion Canada Packers adopted a low price policy for the purpose of driving smaller competitors out of the margarine business, and it also gave consideration to acquiring these same competitors. The degree of concentration existing in both the shortening and margarine industries has resulted in considerable consultation about price policy between Canada Packers and its competitors. This blunting of price competition has produced a diversion of competitive effort to sales promotion and particularly advertising. It has resulted also in making the edible oil division, the Company's most profitable.

122. In the soap industry, where there is also considerable concentration, Canada Packers occupies a position of importance. Competition in this industry has also been

diverted into channels which emphasize sales promotion and heavy advertising expenditures. To the extent that Canada Packers has enjoyed a competitive advantage over smaller packers by reason of its opportunity to use by-products in its own soap factory, this advantage is declining with the development of synthetic detergents and this is a reflection of the general decline in the value of by-products of the slaughtering process. To the extent that Canada Packers has enjoyed a competitive advantage over other soap manufacturers because of its widely spread distribution organization which originally accounted for part of its diversification this advantage also declined when the increasing efficiency of the wholesale grocery trade compelled the Company to change its distribution system for soap and other products.

123. Canada Packers operates several of the largest feed plants in Canada and occupies a dominant position in the feeds industry, which has experienced spectacular growth since the beginning of the War. Its position in this industry is based on a number of factors including its ready access to raw material supplies. Dry-rendered tankage is protected against imports by a substantial duty and Canadian prices are above world prices. Canada Packers' position is also based on the important distribution link between feeds and fertilizer, on the system by which feed mills are held under contract and on Canada Packers' acquisition of established feed businesses. The most significant fact about the commanding position which Canada Packers enjoys in the feed business is that it promises to give the Company substantially greater control over the marketing of livestock with the continued development of contract feeding. At the present time this applies to a limited extent to sheep and lambs and to cattle, to an increasingly important extent to hogs and to an overwhelming extent to poultry.

124. Concentration in the fertilizer industry in Canada is much higher than in the United States, and Canada Packers with four of the largest plants is the second biggest producer in the industry. Its strong position is accounted for to a considerable extent by its past acquisition of competitors. In the cases of two of these acquisitions, Canada Packers' objective was market control. Concentration in the fertilizer industry has provided a foundation for a considerable measure of agreement between Canada Packers and its competitors about prices and sales policy in Quebec, Ontario and the Maritimes. Canada Packers' fertilizer operations strengthen its position in the feeds industry, because the same distribution organization

handles both products. Its fertilizer operations also help Canada Packers control the marketing of certain produce items.

125. In the past, when Canada Packers performed mainly a wholesaling function in the handling of poultry and dairy products, it accounted for a substantial share of the poultry marketed through registered poultry plants and a substantial share of the total stocks of poultry, and as in other fields, this led Canada Packers to concert its pricing policies from time to time with those of other enterprises. Recently, technological changes have produced a radical increase in concentration in the poultry industry. This is the result of developments in the control of disease, in feeding and in husbandry which have encouraged large scale operations. Similarly in processing, consumer preference for eviscerated poultry has reduced the number of processors from thousands to a few. To obtain a larger share of the poultry business and to provide a guaranteed outlet for feed which is not subject to price competition in the ordinary way, Canada Packers has given poultry producers financial assistance or adopted some form of contract feeding. Nearly all broiler growers are now tied up under a contract agreement with Canada Packers or some other processor. Concentration, springing from such sources, appears inevitable because of the economies involved, but this makes even more undesirable any deliberate interference with, or unnecessary concentration in the market.

126. Partly owing to its cold storage operations and its diversified collection and distribution organization operating on a national scale, Canada Packers has been a major factor in the marketing of eggs. Concentration of control in the marketing of eggs has resulted in a market structure in which it has been possible for Canada Packers at times to concert its buying and selling policies with those of its competitors.

127. Canada Packers occupies an important position in the butter manufacturing industry and this is attributable to a considerable extent to its acquisition of plants from previous owners. Because of its extensive sales and distribution organization, Canada Packers handles more butter than it produces itself. It has not however been notably efficient either in the manufacture or the distribution of butter. Nevertheless its important share of the total sales of butter in Canada, its substantial storage holdings and its practice of purchasing large quantities of butter from other creameries has given Canada Packers, in this geographically scattered industry, considerable influence on the market, and it has at

times concerted its price policy with that of its competitors in buying cream and selling butter.

128. Canada Packers' expansion in the wholesaling of fruits and vegetables discloses a characteristic feature, namely the acquisition of other enterprises as a foundation for the growth of the operation. The latest acquisition, in 1956, of Parent Goyer et Cie of Montreal was intended by Canada Packers to increase its buying power in the Montreal market.

129. The canning operations of Canada Packers have been built up since the War to some extent by the acquisition of existing canneries, and it has become one of the largest food canning companies in the Commonwealth in spite of the fact that its operations in this area were not notably efficient.

130. The proportion of livestock bought direct by all packers has increased substantially since 1935 and this has been promoted by the national packing companies and particularly Canada Packers. This has had a detrimental effect upon livestock producers because market news has not been adequate and the national packers' buying systems have not been fully competitive.

131. Canada Packers recognizes that the weight alone of its buying and selling in the Canadian market gives it a dominant position in the industry and considerable influence over prices in the short run. This influence has been exercised in a variety of ways including the conscious exercise of price leadership in all phases of the industry; the deliberate setting of pork prices at an unprofitable level in order to weaken the live hog market; the calculated interruption of its stream of livestock purchases to affect other transactions; the dumping of supplies of livestock or meat at low prices in order to affect particular markets; the calculated timing of purchases of pork products from other packers to raise prices; the supplying of the requirements of small slaughterers to keep them off the live hog market; and the persuasion of suppliers of imported lamb to restrict the channels of distribution. Among other things such behaviour raises costs and produces a misallocation of resources to the detriment of both producers and consumers.

132. Canada Packers has reinforced its position of price-leadership by concerting its price policies in the purchase of livestock and the sale of meat with those of its competitors. Consultation about price policy between Canada Packers and its competitors has occurred throughout most of the period since the early 1930's. Arrangements however have been of an _ad hoc_ or intermittent rather than a continuing character in most

cases. They have also been made at the local level rather than on a country-wide basis and the initiative has generally come from Canada Packers. In 1956 a new development began in the established pattern of consultation between Canada Packers and its competitors with the formation of a meat-packers' branch, affiliated with the Toronto Board of Trade, concerned with various competitive practices in the sale of meat. One other arrangement of a more continuing nature, between Canada Packers and its competitors in the industry relates to hog differentials. For most of the period covered by this Statement these were established by joint action of Canada Packers and other important meat-packers. Market power so exercised inevitably results in wider processing margins than would exist in its absence.

133. Canada Packers has further reinforced its dominant position by taking coercive action against its competitors in British Columbia, Alberta, Manitoba, Ontario, Quebec and the Maritimes. Sometimes this has taken the form of depressing meat prices and forcing competitors to lose money on their livestock purchases, sometimes it has taken the form of deliberately bidding up the price which competitors have been obliged to pay for livestock and sometimes it has taken other forms. Market power exercised in this way inevitably restrains the growth of efficient competitors which would otherwise occur. Moreover, the adoption of such coercive tactics constitutes an important barrier to the entry of new firms into the industry. Entry on a substantial scale has in fact been limited to relatively few firms over a good many years.

134. The development of different kinds of joint action by producers in the marketing of agricultural products and the introduction of different kinds of government assistance to producers has modified to some extent the disadvantage in bargaining power suffered by them in the face of concentration in the meat-packing industry and the dominance of Canada Packers. However such arrangements have been only partly effective in increasing the producers' bargaining power and in some cases the arrangements have serious shortcomings in the matter of efficiency from the point of view of the consumer. Again, increasing concentration at the processing level is likely to give rise to more inflexible marketing arrangements at the producer level, from which it may be difficult to exclude some features which produce rigidities in price and in the allocation of resources which are not in the public interest. Further, to the extent that vertical integration develops, the effectiveness of such countervailing power will be nullified.

135. Developments which have tended to protect the consumer to some extent from excessive concentration in the processing industry have taken the form primarily of the growth of large retailers. There are serious limitations, however, to the effectiveness of this countervailing power as a protection to the consumer against the market influence of a firm in the position of Canada Packers. It does not work well when there is inflationary pressure in the market; it is too blunt an instrument to bring about an ideal distribution of resources; there is evidence that when preferred terms are made available to big retailers for some products, they tend increasingly not to be reflected in price reductions but to take the form of increased advertising and various forms of promotional activity. There is, furthermore, an evident tendency for Canada Packers and strong groups on the other side of the market to avoid each other. There is evidence that undue concessions have at times been made by Canada Packers to large sellers which, in the opinion of the former, have served merely to promote concentration at the retail level rather than improved economic performance. Finally, Canada Packers has taken steps to blunt the impact of countervailing power on its own operations, among other things, by maintaining a substantial ownership interest in the Dominion-Thrift stores.

136. The acquisition of Wilsil Limited substantially increases Canada Packers' market power in Montreal which is particularly important because the Montreal market exerts a unique influence upon livestock markets, particularly for hogs, in the rest of Canada. Over the period covered by this Statement, Canada Packers' market position in Montreal was being eroded by the more rapid growth of some of its competitors, gradually weakening the influence Canada Packers was able to exercise over the Montreal market, and the acquisition of Wilsil reverses this trend.

137. In acquiring Wilsil Limited, Canada Packers, already the dominant firm in the industry, obtained control of what had been the fourth largest packer in Canada. This made Canada Packers almost twice as large as either of the other national packers and eliminated as an independent competitive factor the firm which was nearest in size to the big three. The acquisition has added to the cold storage facilities controlled by Canada Packers in Montreal and to the important share of storage holdings, particularly of lamb, normally maintained by Canada Packers. Canada Packers' dominant position in the production of hides and skins, of lard and of shortening has also been substantially increased. The acquisition of Wilsil augments the buying power of Canada

Packers primarily in the Province of Quebec and particularly is this so in the case of hogs. In the case of cattle, Canada Packers' buying power will be augmented also in Alberta and Saskatchewan from which Wilsil obtained one-third of its receipts. In addition the acquisition of Wilsil is likely to result in an increase in direct purchases of cattle because Canada Packers as a whole and its Montreal plant in particular always obtained a much greater proportion of its livestock purchases direct, than did Wilsil. Because of the anti-competitive buying practices of Canada Packers such an increase in direct buying is likely to react unfavourably on producers. On the selling side the elimination of Wilsil as an independent competitive factor has resulted in the adoption of a higher level of prices in the Montreal market for one group of products and is likely to result in higher prices for other groups of products in Montreal and in the Maritimes area where Wilsil was also an important seller.

138. The acquisition of Wilsil Limited has made no significant contribution to greater efficiency or to savings not otherwise obtainable in the operations of Canada Packers. Two years after the acquisition, no important measures unrelated to market control had been taken to consolidate the operations of the two companies. Wilsil Limited was not in serious financial difficulty prior to the acquisition. Although its profit position did deteriorate in 1953 following the death of the former owner, it was not critical and in any event it grew worse after Canada Packers became involved.

139. Because of the distribution of livestock production, the structure of the meat-packing industry and the buying practices of Alberta packers, prices paid on the Calgary stockyards exert an exceptional influence on livestock prices throughout Alberta, and the acquisition of Calgary Packers by Canada Packers increases the influence which Canada Packers can exert over such prices.

140. The acquisition of Calgary Packers, the tenth largest packer in Canada, has eliminated what Canada Packers regarded as a troublesome and aggressive competitor in the purchase of livestock in Southern Alberta, and in the sale of meat far beyond the bounds of the local market, particularly in Montreal and Vancouver. The purchase of Calgary Packers was made through an intermediary because all parties recognized that Canada Packers could be made to pay a premium to obtain control of Calgary Packers.

141. Because the Calgary area is a particularly favourable location for a meat-packing plant, if Canada Packers had not

acquired Calgary Packers, competition in the area was likely to have been increased through the building by Canada Packers of a new plant.

142. Since the acquisition, the buying policies of Calgary Packers whose public stockyard purchases were formerly relatively large have begun to change to conform to those of Canada Packers. Because of the anti-competitive buying practices of Canada Packers such a decrease in purchases made at the public stockyards is likely to react unfavourably upon producers.

143. The disappearance of Calgary Packers as an independent factor in Alberta is made more serious by the fact that in 1955 also, Wilsil was eliminated as a separate identity by Canada Packers, and will no longer be competing on the Calgary livestock market, and Modern Packers Limited which also bought on the Calgary market was eliminated as an independent buyer by Burns. Moreover in 1959 the Alberta Meat Company, a Vancouver packer who bought on the Calgary market, was eliminated as an independent factor by Swift Canadian.

144. The acquisition of Calgary Packers has made no contribution to the efficiency of Canada Packers which could not have been achieved by building a plant. Less than two years after the acquisition, consideration was already being given to doubling the capacity of the Calgary plant which confirms the desirability of locating a plant in Calgary but casts doubt upon the adequacy of Calgary Packers plant for Canada Packers' purposes from the beginning. Calgary Packers was not in financial difficulty but on the contrary was highly profitable.

145. As a reflection of its dominant position in the industry and of the use made of its market power Canada Packers over the period since 1927 has been able to make profits according to its published statements, which when properly adjusted are much higher than the average for all firms in the meat-packing industry as shown by taxation statistics in Canada, and higher also than the average of the largest meat-packing companies in the United States.

146. Manufacturing economies of scale in the meat-packing industry are limited by geographically scattered markets and sources of raw material, by the relatively limited amount of mechanization which is practical and by the fact that relatively small plants can make effective use of by-products. Among Canada Packers own plants, the largest are by no means

necessarily the most profitable. Consequently, the acquisition of Wilsil and Calgary Packers by Canada Packers does not mean that the financial resources to which Canada Packers has access on particularly favourable terms and which would be available for enlarging the acquired plants, open up possibilities for significant scale economies which were not previously present.

147. Aside from considerations of market control and the exercise of monopoly power there are no significant economies available from multiple plant operations in the meat-packing industry and individual plants and divisions of Canada Packers are treated as much as possible as separate businesses. Canada Packers has higher administrative and other overhead costs than efficient single plant firms and it cannot adjust its operations as quickly to changing conditions. Over the years smaller competitors have gained ground in the slaughter of cattle and calves and Canada Packers has been able to maintain its relative position only by the acquisition of other firms. Moreover the multiple plant firms have not been the most profitable either in Canada or in the United States. Canada Packers derives no significant advantages from large scale sales promotion since this is not a substantial factor in the meat-packing industry and in any event Wilsil and Calgary Packers brands have been continued. Consequently the acquisition of Wilsil and Calgary Packers makes no significant economies available to them or to Canada Packers arising out of the addition of the acquired plants to an existing multiple plant firm.

148. The acquisitions described in this Statement have operated to the detriment of the public. It is evident that, by reducing the number of independent firms in an already concentrated industry, Canada Packers has created a situation where competition has been lessened and, for the reasons given, is likely to remain less vigorous than it was before the reduction, thus reducing the competitive pressures on Canada Packers' processing margin and, in the context of the meat-packing industry, providing no compensating advantages by way of increased efficiency. It also is clear that because of existing concentration, the dominance of Canada Packers and the past anti-competitive behaviour of the Company, the acquisition either directly or indirectly of control by Canada Packers of the shares or assets of any other company or firm in Canada engaged in the slaughtering and meat-packing industry or the important related industries concerned with the tanning of hides and skins, the manufacture of shortening and margarine and the manufacture of feeds or feed concentrates is likely to operate to the detriment and against the interest of the public.

149. It is my allegation that Canada Packers Limited is a combine because it is a merger, trust or monopoly, in that it has acquired control over or interest in the businesses of others, to wit: Wilsil Limited, Calgary Packers Limited, Dominion Stores Limited and Thrift Stores Limited, and because such merger, trust or monopoly has operated and is likely to operate to the detriment or against the interest of the public."

5. Position Taken by Canada Packers Limited with Respect to the Statement of Evidence

In order to assist the Commission in its consideration of the matters which would be dealt with in the presentation of evidence and in argument, counsel for the Company submitted in advance of the hearing a comprehensive Statement of Position of Canada Packers Limited This detailed brief not only set out the points on which issue was taken with respect to conclusions and inferences which had been drawn by the Director from the evidence in the inquiry, but also particularized points of fact contained in the Statement of Evidence on which issue was also taken. Evidence given in regard to the latter will be reviewed in dealing with the subject matter to which it refers. The principal points on which issue was taken in the Company's Statement of Position may be summarized as follows:

1. Issue was taken with all the conclusions submitted by the Director in the Statement of Evidence in the form of allegations of misconduct.

2. It was submitted that the fundamental error in the Statement of Evidence was the assertion of the Director made many times that Canada Packers Limited has a "dominant position" in the meat packing industry and that it exercised "market control" or "market power" as a result of its position.

3. Evidence would be given to show that there is vigorous competition in the meat packing industry. Because of that competition and because of the nature of the meat packing business the Company does not and cannot control the prices paid for live-stock or the prices charged for meat.

4. It was contended that the firms included in the report "The Slaughtering and Meat Packing Industries" published by the Dominion Bureau of Statistics do not embrace the entire meat packing industry, which consists of more than 2,400 slaughterers and processors.

5. The Company's share of the total slaughter of livestock in Canada is substantially lower than that shown in the Statement of Evidence where reference is made to the share of inspected slaughter. Similarly, the Company's share of the production of meat is substantially lower than that indicated in the Statement of Evidence.

6. Issue was taken with measures of the Company's position in regional markets presented in the Statement of Evidence based on the Company's share of inspected livestock slaughtered in the various provinces. It was submitted that because of the heavy interprovincial movements of livestock and of meat and meat products it is impossible to determine the Company's position as a purchaser of livestock or as a seller of meat in any individual province or regional market.

7. Issue was taken with the conclusion of the Director that competition between regional markets is weak and evidence would be produced to show that the different regional markets are very closely related.

8. Issue was taken with the conclusion of the Director that concentration in the meat packing industry in Canada is excessive. It was submitted that it was valueless to compare concentration in the meat packing industry in Canada with that in the United States because the smaller market in Canada must be served by fewer firms if the advantages of large scale production are to be achieved.

9. Issue was taken with the assertion of the Director that the Company's share of total inspected slaughter seriously understates the significance of concentration. It was submitted that this measure overstates the Company's position and that the appropriate figure is the Company's share of total commercial slaughter which was given as about 28 per cent.

10. Contrary to the allegation of the Director that growth of national packers has depended to an important extent upon the acquisition of other plants or firms in non-meat as well as meat packing fields and that their size, therefore, is no evidence of superior economic performance, evidence would be given that approximately 84 per cent of the Company's growth since its formation in 1927 is accounted for by production facilities which it has constructed.

11. It was submitted that evidence referred to by the Director does not support the allegation that the formation of the Company in 1927 involved a substantial elimination of competition which "permitted Canada Packers to increase greatly the prices charged for its processing services, as evidenced by the great swing in earnings in

one year from heavy losses to substantial profits. This swing depended very little on cost reductions." It was denied that the merger in 1927 resulted in a substantial elimination of competition. The change in earnings following the merger was brought about by important economies in operating costs and in a general improvement in conditions affecting the packing house business. In addition, there was a reduction of losses on export business in which unprofitable operations were discontinued.

12. The allegation that "it is the expressed policy of the Company to look to further acquisitions as the foundation for its growth" was denied and evidence would be given to contradict it.

13. Issue was taken with the assertions of the Director that the Company generally controls "substantial" storage holdings and "significant" cold storage capacity from which it derives "additional influence over price" through the timing of purchases for storage and through the timing of withdrawals of its freezer stock. Evidence would be given to show that the Company's share of cold storage facilities is substantially less than that submitted by the Director and that at all times there has been adequate cold storage available to all meat packers. Evidence would also be given to show that the storage of frozen pork by competing packers tends to level out fluctuations in prices which might be caused by seasonal fluctuations in hog marketings.

14. It was submitted that the acquisition of Wilsil Limited and Calgary Packers Limited added less to the cold storage facilities controlled by the Company than was alleged by the Director. The cold storage facilities so acquired were, in proportion, about equivalent to the volume of business done by these companies.

15. It was submitted that diversification of the Company's operations does not enable the Company, as alleged by the Director, to influence the market for livestock and meat products. In the case of each product group there is substantial and vigorous competition from outside sources, and by-products transferred by the meat packing division of the Company to other divisions or subsidiaries must be transferred at market prices.

It was contended that risk and uncertainty arising out of fluctuations in the prices of by-products between the time of purchase of livestock and the sale of by-products is not eliminated by the use by the packer of such by-products in other divisions of his business.

16. Ownership by the Company of both tanneries and meat packing plants in no way eliminates the "risk of substantial fluctuations in the value of inventories", as alleged by the Director, and does not give the Company an advantage over its competitors either in the meat

packing industry or in the tanning industry and does not give the Company any special ability to influence the prices of meat or livestock.

17. The first tanning company which was acquired had gone out of business at the time it was acquired in 1936. It has always processed calfskins and has never been in competition with other tanneries acquired by the Company.

18. Although the Company has acquired two sole leather tanning companies whose sales now account for about 71 per cent of the total Canadian production of sole leather, it was contended that this is due largely to the fact that in Canada the tanning of sole leather is a dying industry.

19. No connection could exist between the Company's position as a producer of lard and the power alleged by the Director to raise lard prices at times by the purchase of moderate quantities. If the alleged power exists it must relate to the position as a purchaser of lard and other purchasers of lard would also possess it.

20. The acquisition of Wilsil Limited could not have the significance with respect to the shortening industry alleged by the Director because Wilsil Limited, before its acquisition, was only a packager of shortening and had always purchased its supplies of finished shortening from the Company. Further, the acquisition of Wilsil Limited could not have affected the situation with respect to entry into the shortening industry because all of the raw materials used in the manufacture of shortening are traded on world markets. Of the four major manufacturers of shortening in Canada, two are producers of lard and two are not. The other two manufacturers obtain their supplies of lard from outside sources which would be equally available to a newcomer entering the industry.

21. It was submitted that two factors, namely large size of firms and costliness of quality control, referred to by the Director as limiting entry into the shortening industry, are related to the nature of the industry which requires plants involving large capital costs and large scale operations in order to operate economically.

22. Allegations that advertising expenditures on both shortening and margarine by the Company were excessive were denied and it was submitted that advertising of retail brands was necessary if the Company is to continue to compete with its major competitors, some of whom have the benefit of overflow advertising in American periodicals and other media seen by Canadian consumers. Further, about 83 per cent of the shortening and 60 per cent of the margarine sold by the Company is unsupported by advertising.

23. It was denied that the Company had ever been a party to an agreement with other producers fixing the price of margarine or shortening or that it had attempted to control resale prices. Evidence would be given to show that price competition is carried on vigorously in the merchandising of shortening and margarine, chiefly in the form of price-off deals.

24. It was submitted that evidence relied on by the Director does not support an allegation that the Company, on one occasion, adopted a low price policy in the sale of margarine for the purpose of driving smaller competitors out of business. Evidence would be given that the price reductions in question were made for the purpose of obtaining a larger share of the market and on the basis that the Company's production of margarine in Western Canada achieved a saving in freight compared to other margarine producers.

25. The Company's operation of a soap factory does not give it a competitive advantage over small packers by reason of the opportunity to use by-products in the manufacture of soap. The Company's share of total industry production of soaps and detergents is about 6 per cent.

26. Issue was taken with allegations that the Company has a "dominant" or "commanding" position in the feed industry. Evidence would be given to show that in the year 1958 the Company accounted for about 40 per cent of the total sales of feed concentrates or, expressing sales of feed concentrates in terms of complete feeds manufactured therefrom, for about the equivalent of 27 per cent of total Canadian sales of complete feeds.

27. Evidence would be given to show that while the Company produces tankage as a by-product of slaughtering and tankage is a raw material used in the production of feeds, the Company does not control the supply of tankage or of any other raw material used in the feed industry. In any event, tankage is not a necessary ingredient of feeds and may be replaced by other materials.

28. The Director alleged that the Company has placed under contract a large network of chopping mills which must use the Company concentrates when supplying feeds. Evidence would be given that only about 50 per cent of the mills under contract use the Company's concentrates exclusively and none is required to do so. Every contract may be cancelled by either the mill or the Company on ten days' notice.

29. The allegation of the Director that the Company looked upon the acquisition of a feed mill at Canning, N. S. as a means of

eliminating a competitor was denied and it was stated that the evidence relied upon indicates the reasons for the acquisition.

30. The Company's position in the feed industry is due to the origination and development by the Company of the concept of concentrates and the Shur-Gain method of marketing feeds through local mills. The economies in these methods developed by the Company made it possible to supply feeds to Canadian farmers at about $10.00 per ton less than comparable feeds available from other sources and has resulted in the wide-spread adoption of like methods by the Company's competitors in the feed industry.

31. The allegation of the Director that the Company may acquire significantly greater control over the marketing of livestock through its assumption of responsibility in one way or another for feeding was denied. The Company does not have any control over the marketing of livestock and evidence would be given to show that the Company feeds a negligible percentage of the livestock it slaughters.

32. It was denied that the Company's "strong position" in the fertilizer industry is accounted for to a considerable extent by its past acquisitions of competitors. Evidence would be given to show that the Company purchased three fertilizer plants with a productive capacity equivalent to about 11 per cent of the Company's total capacity in 1956. Two of the three plants were in regions in which the Company did not operate plants of its own. The total capacity of the Company in 1956 was about 27 per cent of the total Canadian production of fertilizer.

33. It was submitted that there is no evidence to support the allegation that in the case of two acquisitions in the fertilizer business the Company's objective was market control.

34. The allegation of the Director that "concentration in the fertilizer industry has provided a foundation for a considerable measure of agreement between the Company and its competitors about prices and sales policy in Quebec, Ontario and the Maritimes" was based on material examined during the course of an earlier inquiry as a result of which the Director found that the "evidence obtained did not indicate that the companies were in collusion in the setting of prices".

35. The allegation of the Director that the fertilizer operations of the Company help it to "control the marketing of certain produce items" was denied, and it was submitted that the Company does not control the marketing of any produce items.

36. The Director alleged that in the Maritimes fertilizer sold on extended credit by the Company with repayment to be made at least in part by the shipment of potatoes assures a produce

connection and that such sales are not exposed to price competition by other suppliers. Evidence would be given to show that it is the practice of the majority of produce dealers in the Maritimes to supply fertilizer to potato growers thereby assuring themselves of a produce connection, and that sales of fertilizer to produce dealers are subject to price competition by other suppliers.

37. It was denied that the Company, as alleged by the Director, concerts its pricing policies in the poultry industry with those of its competitors and it was submitted that evidence relied on by the Director does not establish that there was any agreement or joint action on prices.

38. Recent technological changes in the poultry industry have made practical substantially larger-scale operations in the production and processing of chicken broilers and some increase in concentration has perhaps taken place. Evidence would be given to show that the Company has many competitors of various sizes in each of the different aspects of the poultry industry.

39. In reply to the allegation of the Director that the Company has a substantial share of the poultry market, evidence would be given to show that from 1949 to 1958 the Company's production of poultry ranged from a low of 3.8 per cent to a high of 7.8 per cent of total commercial production, and its share of total Canadian sales from a low of 7.2 per cent to a high of 13 per cent.

40. It was denied that the Company's position in other fields is dominant or that its diversified operations give it any advantage in the poultry industry.

41. In reply to the allegation of the Director that the Company is strengthening its position in both the poultry and the feed industry by giving poultry producers financial assistance and adopting some form of feeding under contract, it was submitted that financing growers under some form of contract is a competitive practice in the broiler industry which is engaged in as well by competitors of the Company, including hatchery operators, feed manufacturers and poultry processors. Evidence would be given to show that competition for broiler contracts is keen and that a grower usually has several alternative contracts available to him for each crop of birds. It was submitted that the Company's share of total Canadian production of chicken broilers and total Canadian sales of chicken broiler feeds has not increased during the years 1954-58.

42. Contrary to the allegation of the Director that the Company is a major factor in the marketing of eggs, evidence would be given to show that the Company's sales for the years 1950-1958 have ranged from a high of 11.3 per cent to a low of 6.7 per cent of the

total Canadian commercial supply of eggs for domestic sale. The Company's position in the marketing of eggs is in no way attributable to its ownership of cold storage facilities as adequate public cold storage facilities throughout the country are available to anyone.

43. It was submitted that no evidence was produced by the Director to support the allegation that concentration in the egg business has made it possible for the Company at times to concert its buying and selling policies with those of its competitors. The allegation both with respect to the existence of control and the concert of policies with competitors was denied. It was asserted that there have been no agreements as to the price of eggs nor any joint action on egg prices involving competitors.

44. Evidence would be given to show that in the years 1950-58 the Company's storage holdings of eggs averaged 13.6 per cent of Canadian holdings of storage eggs, contrary to the Director's assertion that "Canada Packers' normal percentage of Canadian holdings of storage eggs is over 25 per cent".

45. In reply to the allegation of the Director that the Company occupies an important position in the butter manufacturing industry, it was submitted that evidence contained in the Statement of Evidence established that the Company's manufacture of butter represents 1 1/2 per cent to 2 1/2 per cent of total Canadian production. With reference to the Company's storage holdings of butter, evidence would be given to show that between the years 1950 to 1959 its holdings averaged 2.3 per cent of total Canadian storage holdings. Since 1949 the Federal Government supported floor price for butter has provided an assured outlet on equal terms to every manufacturer of butter in Canada.

46. In reply to the allegation of the Director that the Company "has not however been notably efficient either in the manufacture or distribution of butter" it was submitted that the evidence relied on which shows the Company's attention to and criticism of certain undertakings may be taken as a mark of efficiency rather than the reverse. It was also submitted that the Company has consistently made a profit from its butter manufacturing and selling operations.

47. The Director acknowledged that the Company is not a major factor in the ice cream industry but alleged that: "As in other areas of its business Canada Packers in planning to expand its ice cream production has given first consideration to the acquisition of the business of smaller organizations". Evidence would be given to show that the Company operates only one ice cream plant which it built and expanded and that it has no plans for acquisition of the ice cream business of anyone else. It was asserted that the Company has not been a party to any price agreement with competitors in the ice

cream business.

48. In reply to the allegation of the Director that the Company's "expansion in recent years in the field of wholesaling fruits and vegetables discloses a characteristic feature, namely the acquisition of other enterprises as the foundation for the growth of the operation", it was stated that evidence would be given to show that the Company has marketed fresh vegetables in bulk since its formation and since 1939 has marketed fresh fruits and vegetables to the retail trade. From 1935 to 1952 the Company's volume of fresh fruit and vegetable business grew from 5 million pounds to 50 million pounds, with no acquisitions of other businesses. Since 1952 the Company has acquired 3 businesses which, at the time of acquisition had yearly sales of approximately 29 million pounds in the aggregate. In 1958 the Company's sales volume of fresh fruits and vegetables amounted to 122 million pounds. Submission would be made that acquisition of other enterprises has been neither the foundation nor a major part of such growth.

49. It was denied that acquisition of produce firms was intended to establish control over marketing channels or that any such control exists.

50. In reply to the allegation of the Director that : "The canning operations of Canada Packers have been built up since the War to a considerable extent by the acquisition of existing canneries", it was stated that evidence would be submitted to show that of the Company's total investment in fixed assets in its canned and frozen fruit and vegetable division, fixed assets acquired by purchase represent about 7.6 per cent. The Company's sales of canned fruits and vegetables in the years 1950 to 1955 ranged from 5.6 per cent to 7 per cent of total Canadian consumption.

51. It was submitted that the increase in the Company's share of total Canadian peanut butter production from 9 per cent in 1949 to 24 per cent in 1957 came about as a result of the Company's initiative in introducing new manufacturing techniques and improvements in quality and of consumer preference for a superior product.

52. Issue was taken with virtually all the conclusions of the Director with respect to the direct buying of livestock and with each of the allegations contained in paragraph 130 of the Particulars of Allegations.

53. In reply to the allegation of the Director that direct buying "has had a detrimental effect upon livestock producers because market news has not been adequate and the national packers' buying systems have not been fully competitive", it was stated that evidence would be given to show that all (or nearly all) livestock producers in Canada

have several alternative methods available to sell their livestock. The choice of the method of sale is a free choice of the livestock producers, who presumably choose the method most beneficial to them. The Director has given no evidence to show that "direct buying" has a detrimental effect upon livestock producers. The authors of the only comprehensive study on the subject, which is quoted by the Director, conclude that in the case of cattle and hogs "direct" selling provides a higher net return to the producers than selling through public stockyards, and that in the case of sheep and lambs the data were not sufficient to permit any conclusion. The Company does not know whether or not market news is adequate but submits that a considerable volume of market news is disseminated. It was denied that national packers' buying systems have not been fully competitive and evidence would be given to show that there is vigorous competition among packers in the various forms of direct buying as well as in buying on public stockyards.

54. It was submitted that it is not entirely correct, as stated by the Director, that "during the period with which this Statement has been concerned the proportion of livestock bought direct by the packers has increased substantially". It was stated that there has been an increase in the proportion of cattle and calves bought "direct" by inspected packers. Evidence would be given to show that the proportion of cattle and calves bought "direct" by all packers has not varied appreciably in the past 23 years. There has been an increase in "direct" buying of hogs, which has resulted primarily from the system of selling hogs by carcass weight and grade and from the development of co-operative selling agencies, and in "direct" buying of sheep and lambs, probably because of the increasing popularity of selling lambs on a carcass grade basis.

55. It was submitted that the policies of national packers, or at least of the Company, have not been responsible for the establishment or continuation of direct buying of livestock.

56. The Director does not refer to any evidence in support of his statement that "there is a tendency in deficiency areas and in times of shortages for the prices paid by Canada Packers for direct purchases to exceed the prices paid on the public stockyard and in surplus areas and in times of abundant supplies for the prices paid by Canada Packers for livestock bought direct to be less than the prices paid on the public stockyard". It was submitted that it is doubtful if any reliable evidence on this matter is available. There is no reason why the statement should be correct. The Company buys livestock at all times and in all markets in competition with other buyers, at competitive prices.

57. It was submitted that the statistical evidence on which the Director relied for the allegation that national packing companies

in general, and Canada Packers in particular, have been "promoting" or "leading the way" in "direct buying" when corrected, establishes little difference between the national packers and the average for all inspected packers. In any event, external circumstances determine whether a meat packer favours a method of buying otherwise than from public stockyards. A small packer near a public stockyard will probably fill his requirements exclusively from the public stockyard. A packer of comparable size far away from a public stockyard will probably buy all his requirements direct. A large packer will buy from every source available to fill his requirements. If any packers are to be charged with "leading the way" in direct buying, it should be those who for economic reasons buy all or most of their livestock direct.

58. It was denied that the Company occupies a "dominant" position in the slaughtering and meat packing industry or that it has control over prices. It was submitted that the correspondence relied on by the Director cannot be taken as supporting the allegation that "Canada Packers recognizes that the weight of its buying and selling in the Canadian market gives it a dominant position in the slaughtering and meat-packing industry and considerable control over prices at least in the short run."

59. It was submitted that the Company did not have the position of "price leader" as alleged by the Director if the expression was intended to mean that the Company is in such a position that its competitors are under strong pressure to follow any changes in price instituted by it. Evidence would be given to show that in the meat packing industry the actions of the Company, like those of all other buyers and sellers on the marketplace, have an effect on prices. Price levels are determined in a competitive market by the interaction of the decisions made by various buyers and sellers, each of which depends in part upon anticipation of what the effect of his decision will be on others and on the price.

60. It was contended that correspondence relied on by the Director to support the allegation of price leadership is convincing evidence of the Company's uncertainty and concern with the reaction of its competitors. When the Company alters its bids or asking prices because it believes that supply and demand conditions make it advantageous to do so its action may well affect the timing of competitors who were considering the same move. But if the Company has misjudged the supply and demand conditinns, then the price changes instituted by it will not be followed by its competitors who are in no sense under the Company's control.

61. In answer to the allegation that the Company exercised "market power", evidence would be given to show that the business of the Company (and presumably of all firms, large or small) in the meat packing industry is made up of a multitude of individual

transactions in the form of separate bargains between a seller and a buyer. The Company completes about 85,000 individual selling transactions of meat products each week and about 16,000 buying transactions of livestock. The vast majority of the individual transactions are small and even the smallest packer can readily take the whole offering of livestock or supply the whole purchase of meat in the vast majority of cases. In these circumstances the smallest packer is able to compete effectively with Canada Packers in any one transaction.

62. In reply to the allegation that purchases of livestock were "deliberately interrupted" on numerous occasions from a desire to control the market, evidence would be given to show that decisions of the Company as a buyer to refrain from making purchases of livestock were made because the price seemed too high and that they were made only for the purpose of increasing the Company's profits or decreasing its losses. Such decisions, of course, bring about price changes in a competitive market, and the fact that the Company succeeded in many cases in forecasting the trend of price changes that would follow a particular decision is not, it was submitted, evidence that it has control of the market, or that its motive was to control the market rather than to operate its business at a profit. Strictly speaking, the Company never interrupts its stream of livestock purchases, but if, in its judgment, the price of livestock is higher than is warranted by the supply and demand situation and the Company will lose money in selling the meat resulting from the livestock purchases, then, of course, it may buy fewer animals than usual.

63. In answer to the allegation that the Company has from time to time adopted the practice of "dumping supplies of livestock or meat at low prices on particular markets to affect market prices", it was stated that the Company never sells livestock but is only a buyer. It was submitted that as there is a close relationship between livestock prices in different parts of Canada and the United States, the price in the various markets should not diverge by more than the cost of transportation, plus duty in the case of imports from the United States. When any greater divergence occurs the Company or some other packer will purchase livestock in the cheaper market for slaughter and sale in the higher priced market. Such intermarket transactions cannot properly be called dumping but are a means of equalizing prices on the various markets and, it was further submitted, are in the public interest.

64. Issue was taken with the allegation that the Company endeavoured to control the price of imported Australian and New Zealand lamb by utilizing its buying power to persuade suppliers to restrict the channels. It was admitted that the Company suggested to the suppliers of Australian and New Zealand lambs that they restrict

their outlets in Canada to legitimate meat dealers and meat retailers, but evidence would be given to show that no attempt was made by the Company to impose its suggestion upon the suppliers either by threatening to withhold its business or otherwise. Evidence would also be given to show that the suppliers were selling and consigning lambs to persons with no experience in the meat business, including in one case, an agent for Japanese shirts in Vancouver. It was submitted that in the circumstances the suggestion of the Company was in the best interests of the suppliers, the meat industry and the consumers.

65. It was denied that it has been or is the practice or policy of the Company to collude or concert or make agreements about prices with competitors. It was submitted that in view of the nature of the meat packing industry, the number of competitors, the diffusion of markets and the multitude of buying and selling transactions occurring daily, any such collusive arrangements, if made, would be futile, as may perhaps have been recognized by the Director by his characterization of the alleged collusion as "ad hoc or intermittent" and "at the local level". It was also denied that the meat packers' branch of the Board of Trade of the City of Toronto is concerned with concerting prices or any other activity that can properly be termed collusive.

66. The Company has co-operated with its competitors in the establishment of uniform hog grading arrangements and price differentials between grades. The co-operation in the establishment of such arrangements was not limited to Canada Packers' competitors, however, but included representatives of the producers and of the Government of Canada.

67. It was submitted that correspondence relied upon by the Director in support of the allegation that the Company has taken "predatory or coercive" action against its competitors discloses, when correctly interpreted in context, ordinary and proper competitive activities in buying livestock and in selling meat.

68. Evidence would be given to show that the Company's actions in British Columbia which were alleged to be predatory or coercive through the sale of meat in Vancouver at prices that would cause local packers to lose money on their livestock purchases in Alberta, consisted of selling meat in Vancouver in competition with other packers there at prices which were higher than the prices Canada Packers or any other packer could have sold such meat for on the Eastern market. In view of the relatively high livestock prices in Alberta, the Company's sales in Vancouver were at a loss, but the loss was less than it would have been if the product had been sold in the only other available market, i.e., Eastern Canada.

69. It was submitted that no evidence was referred to by the Director in support of the allegation that: "In Alberta coercive action was taken to influence the operations of Calgary Packers Limited". With respect to the other alleged predatory or coercive tactic in Alberta in dropping the selling prices of meat "in order to shock the local plants into adopting policies agreeable to Canada Packers", evidence would be given to show that sales of meat were made in competition with other packers in Alberta at prices which were higher than those obtaining in the Eastern market. The anticipated result was to lower the level of meat prices in Alberta which, in turn, should result in lower livestock prices which, in turn, might permit conversion of losses into profits on sales of surplus beef in Eastern markets.

70. With respect to alleged coercive tactics against small independent operators in Manitoba, evidence would be given to show that the tactics characterized as coercive consisted merely of increasing prices bid by the Company for hogs in order to buy a larger share of the hogs being marketed, as Canada Packers' share of hogs purchased on the Winnipeg market had been declining.

71. Evidence would be given to show that alleged predatory practices in Ontario consisted merely of selling beef from Toronto in Windsor in competition with Windsor sellers whose beef was shipped from Winnipeg, or buying cattle in Windsor because of the disparity between cattle prices in Windsor and cattle prices in Toronto.

72. With respect to the allegation that the Company was concerned to take action in Quebec to ensure that small operators who had been bidding up the price of livestock did not get profitable prices from the sale of their meat products, evidence would be given to show that the Company merely proposed to compete with other operators by offering pork products to customers at a lower price than such customers had presumably been paying, but at the same price as Canada Packers had been charging in sales to other customers.

73. The allegation of coercive action in the Maritimes is based on a sustained contest between Swift Canadian and Canada Packers in the purchase of hogs.

Reference would be made to evidence to show that Swift Canadian instituted payment of a special bonus or extra to hog producers in P.E.I., where Canada Packers obtained the bulk of its hogs in the Maritimes. Canada Packers matched Swift's price for hogs not only in P.E.I. but also in New Brunswick, where Swift obtained the bulk of its hogs in the Maritimes. Swift then found it necessary to meet Canada Packers' price in New Brunswick and shortly thereafter payment of bonuses or extras both in P.E.I. and New Brunswick was discontinued and the hog market in both provinces

reverted to its usual level, i.e. corresponding to the Montreal hog market. Canada Packers does not consider this contest as an instance of "coercive tactics" but if it is to be so considered, the coercion was employed by Swift rather than by Canada Packers.

With reference to the conclusion of the Director that as the Atlantic Provinces are a deficiency area for livestock and therefore the price would be expected to be higher than in the area from which meat was shipped, whereas the purchase price of hogs at Charlottetown, Moncton and Saint John was the officially quoted Montreal market price, it was submitted that Montreal is likewise a deficiency area and deficiencies are supplied in both areas from Western Canada. Thus, both in Montreal and the Maritimes livestock prices are affected by the cost of supplying the consuming market with dressed meat shipped from Winnipeg and because of the freight structure this results in livestock prices in Montreal and in the Maritimes being much the same.

74. It was submitted that the Director had perhaps been misled by immoderate language employed in some of the intra-company correspondence and had failed to distinguish between competition and coercion. In all the transactions the Company's intention was to operate at a profit or at a minimum loss. Obviously, every transaction entered into by the Company has some effect on its competitors, just as competitors' activities have an effect on Canada Packers. Recognition by Canada Packers of the effect of a transaction on a competitor does not mean that the anticipated effect on the competitor is the motive for the transaction.

75. With respect to the allegation that the so-called coercive action by the Company against competitors may constitute an absolute barrier to the entry of new firms, particularly in view of the amount of capital required for a diversified packing plant, it was denied that the Company has been guilty of coercion. In regard to estimates as to the amount of capital required it was submitted that the Director relied on a study by Professor Joe S. Bain of conditions in the United States. Further, reference would be made to a passage in Professor Bain's book to the effect that the packing industry has the least barriers to entry of all of those examined.

76. It was submitted that the theory of countervailing power referred to in the Statement of Evidence has no application to conditions in the meat packing industry. The Company competes intensively for business with all retailers, whether large or small, chain stores or independents, and what may appear to be a preference to chain stores is a reflection of economies associated with sales in large quantities.

Evidence would be given to show that in the 1960 fiscal year Canada Packers' sales of meat to the retail trade in the intensively competitive Toronto-Hamilton area were about 50 per cent to chain

stores and about 50 per cent to independents.

77. It was denied that Canada Packers' investment in Dominion-Thrift Stores was made "to blunt the impact of countervailing power on its own operations". Evidence would be given to show that in the opinion of senior officers of the Company Canada Packers enjoys a larger proportion of the business of certain other chain stores than of the business of Dominion-Thrift Stores, and that Dominion-Thrift Stores is in no different category as a customer of Canada Packers than any other chain store.

78. Issue was taken with allegations that market power or market control was either an objective or a result of Canada Packers' acquisition of Wilsil Limited of Montreal. It was submitted that market control is a practicable impossibility. Evidence would be given to show, for example, that the meat packing industry in Quebec includes 4 large inspected packers who operate 9 meat packing plants, 33 inspected custom slaughterers, 929 uninspected slaughterers and many wholesale butchers and processors, all bidding in competition for supplies of livestock and competing in sales of meat.

79. Issue was taken with allegations that Canada Packers entered into "dumping" transactions which were not expected to be profitable, adopted policies involving the payment of "extras" and emphasized "direct" purchases at the expense of the public stockyard in order to influence prices on the market in Montreal and indirectly on other markets in Canada. The evidence relied on by the Director in support of these allegations, when properly understood, establishes that the Company engaged in these transactions in the anticipation of the best return or the least loss and that Canada Packers' policy in paying extras or buying direct or through public stockyards is to buy on a competitive basis from every available source.

80. The Company's position in the Montreal market in relation to competitors had nothing to do with its decision to acquire Wilsil Limited and contrary to the conclusion of the Director the Company's view, on the basis of the evidence available to it, is that its position in the Montreal market had improved rather than deteriorated during the period in question.

81. It was submitted that the acquisition of Wilsil Limited by Canada Packers made virtually no change in the relative position of the national packers because Canada Packers produced 25.7 per cent of total Canadian commercial production of red meat in 1954 and Wilsil Limited produced 1.76 per cent.

82. Issue was taken with allegations that the acquisition of Wilsil Limited added "substantially" to the cold storage facilities controlled by Canada Packers and to its share of storage holdings and has substantially increased the Company's "dominant position" in the

production of hides and skins and of lard and shortening. Evidence would be given to show that the Company's cold storage facilities were increased by 0.5 per cent of the Quebec total and that Wilsil's storage holdings of lambs were decreased after acquisition because they were considered to have been disproportionately large. Wilsil's production of hides and calf skins (exclusive of custom slaughter) amounted respectively to 1.5 per cent and 4.6 per cent of total Canadian production, and it produced 1.5 per cent (exclusive of custom slaughter) of fats suitable for rendering into lard. Its acquisition did not affect in any material way Canada Packers' position in the edible oil processing industry.

83. It was denied that the extent to which the Company's share of inspected slaughter in the Province of Quebec was increased by the acquisition of Wilsil Limited is a measure of the extent to which its position as a meat packer changed as a result of the acquisition.

84. Issue was taken with allegations that the acquisition of Wilsil Limited is likely to result in an increase in "direct" buying, termed by the Director as an "anti-competitive buying practice", that "any increase in direct buying would be likely to react unfavourably on producers" or that it is a practice of Canada Packers to "diminish its support of the public stockyard". It was submitted that the Director had not referred to any evidence to show that direct buying is anti-competitive or disadvantageous to producers. Evidence would be given to show that it is the practice of the Company to buy livestock from every available source.

85. It was denied that the acquisition of Wilsil Limited by Canada Packers had resulted "in the adoption of a higher level of prices in the Montreal market for one group of products and is likely to result in higher prices for other groups of products in Montreal and in the Maritimes area where Wilsil was also an important seller". It was submitted that the allegation seemed to have been based entirely on an increase in Wilsil's price for meat meal to market prices prevailing at the time of the increase.

86. Advantages of location described by the Director in the Statement of Evidence constituted the Company's only motive for the acquisition of Calgary Packers Limited in Calgary. Calgary is a desirable location for a meat packing plant. It is more economical to kill cattle in Calgary and ship meat East than to ship live cattle East. This is also true of shipments to Vancouver, although to a lesser extent. Prior to its acquisition of Calgary Packers Limited, Canada Packers had decided to build a plant in Calgary. In lieu of building, the Company acquired Calgary Packers Limited when that business was offered for sale.

87. It was admitted that prices paid for livestock on the

Calgary public market have a substantial influence on the prices paid for livestock throughout Alberta, particularly in the case of hogs. The Company has no influence on prices paid for livestock in the Calgary public market other than the influence on prices which automatically results from its purchases on that market. Every buyer has an influence on prices in that sense. It was denied that the prospect of influencing livestock prices in any way motivated the Company in its acquisition of Calgary Packers Limited.

88. It was denied that the elimination of an aggressive competitor was a motive in the Company's decision to purchase Calgary Packers. The elimination of Calgary Packers Limited as a competitor was, of course, an incidental result of the acquisition, but there are still plenty of aggressive competitors left. It may be speculated that if the Company had not acquired Calgary Packers but had built a new plant in Calgary competition in the area would have increased. It was submitted that competition for livestock in Alberta, including Calgary and the surrounding district is very keen. Evidence would be given to show that competitors for livestock in Alberta include packers from British Columbia, Quebec, Manitoba, Ontario and the United States in addition to Alberta packers.

89. It was submitted that contrary to the allegation made by the Director there has been no change in buying practices of Calgary Packers with respect to livestock. Evidence would be given to show that direct purchases by Calgary Packers in the years 1949 to 1958 inclusive ranged from a high of 24.1 per cent in 1958 to a low of 9.2 per cent in 1955. For the same reasons as previously stated issue was taken with the allegation that the Company's buying practices are anti-competitive and react unfavourably upon producers.

90. Issue was taken with the allegation that the acquisition of Calgary Packers Limited has made no contribution to the efficiency of Canada Packers. Because of the favourable location of a plant in Calgary, as described earlier, the acquisition has increased the overall efficiency of the business of Canada Packers.

91. It was submitted that evidence relied on by the Director in questioning the adequacy of the plant of Calgary Packers Limited for Canada Packers' purposes clearly shows that the doubling of the capacity of the Calgary plant was an objective for 10 years hence, and that the early enlargement contemplated by Canada Packers was a modest one which, however, was being planned to fit in with estimated long-term requirements.

92. Issue was taken with the figures on which the Director relied for his assessment of the competitive position of Calgary Packers Limited. Evidence would be given to show that the percentage of slaughter, inspected or otherwise, is not an accurate indication of

the extent of participation in the Alberta market, either in buying livestock or in selling meat, because so much livestock is bought in Alberta for shipment and slaughter outside Alberta and so much meat from slaughter in Alberta is shipped outside Alberta. Further, in the year prior to its acquisition, Calgary Packers produced 1.2 per cent of the total Canadian commercial production of red meats.

93. It was denied that the Company occupied a "dominant position" either before or after the acquisition of Calgary Packers Limited, and any "enhancement" of its position by the acquisition was either negligible or non-existent with respect to cold storage facilities, the control of cold storage holdings, the supply of hides and skins, and the manufacture of feed concentrates. Evidence would be given to show that the cold storage facilities owned by Calgary Packers Limited comprise about 1.4 per cent of the total freezer space available for the storage of meats in Alberta and about 0.1 per cent of such space available in Canada; that in 1955 the storage holdings of Calgary Packers were 1.1 per cent of the beef, 0.9 per cent of the pork, 0.5 per cent of the veal, and 0 per cent of the lambs stored in Canada; that in the year prior to acquisition Calgary Packers produced 1.2 per cent of the hides and 0.4 per cent of the calf skins produced in Canada; that its total commercial slaughter of hogs from which fats for the manufacture of lard are derived was 1.01 per cent of the total Canadian commercial slaughter; and that Calgary Packers Limited was not engaged in the manufacture of feed concentrates but only in the production of animal tankage which is available on a world market.

94. It was submitted that the evidence does not show that buying and selling policies of Calgary Packers Limited were co-ordinated with those of Canada Packers immediately after acquisition but that the only evidence is in a letter written more than a year after the purchase stating that the buying organizations of Calgary Packers and Canada Packers, in Calgary, were to be combined at that time.

95. With respect to allegations as to the scale of earnings of Canada Packers, evidence would be given to show that the Company's rate of earnings is about the average of manufacturing industries in Canada and that in comparison with the eight largest packers in the United States, Canada Packers' earnings record is not the highest and is in line with the earnings records of the most efficient of the largest United States packers.

96. Issue was taken with the suggestion that depreciation charged has been excessive and that deductions on account of the profit sharing plan are not a proper charge against income. It was admitted that profits of subsidiaries and unused reserves should be taken into account. It was not admitted that the average of 11.9 per cent, calculated by the Director, results in an understatement of the Company's rate of earnings. Evidence would be given to show that

Canada Packers' return on average capital employed, after making all of the adjustments suggested by the Director as necessary to avoid understatement, including adjustments to which the Company takes exception, is 11.4 per cent for 32 years and 11.7 per cent for 30 years (Hearing, p. 2087).

97. It was submitted that the evidence in the inquiry is not adequate to support the conclusion of the Director as to economies of scale in the meat packing industry, some of which it is thought are likely to be correct and some are likely to be incorrect.

It was acknowledged that economies of scale with respect to plant size may not be so great in the meat packing industry as in some other industries, but the Company submits that economies made possible by a relatively large meat packing plant are important because of the high ratio of operating expenses to potential profit. Issue was taken with the conclusion of the Director that there are no economies due to multi-plant operations.

98. It was submitted that there was inconsistency in the Director asserting, on the one hand, that the Company's earnings are higher than the average for other companies and, on the other, that its earnings are less than those of smaller packing companies and hence an indication of inefficiency.

99. It was submitted that the evidence relied on by the Director to support the conclusion that: "Over the years smaller competitors have gained ground in the slaughter of cattle and calves and Canada Packers has been able to maintain its relative position only by the acquisition of other firms", disproves the assertion.

100. For the reasons set out, it was submitted that Canada Packers is not a combine and has not operated and is not likely to operate to the detriment or against the interest of the public.

CHAPTER II

THE SUPPLY OF LIVESTOCK AND CONSUMPTION OF MEAT IN CANADA

1. Production of Livestock

The production of livestock is very general on the farms in Canada but, at the same time, there are particular areas in which production is concentrated. According to the evidence of Dr. G.F. Clark, southwestern Ontario is the most highly concentrated area for the production of beef cattle. There are few beef cattle produced in Quebec, except in the southern part, and practically none in the Maritime Provinces, except in Prince Edward Island. In Western Canada, production of beef cattle tends to be concentrated in the central and southern parts of the Province of Alberta and to a small extent, in relation to national production, in the valleys of British Columbia. In Saskatchewan and southern Manitoba production of beef cattle is more general and diffuse (Hearing, p. 66).

In the case of hogs, Alberta has become a more important producer in recent years, and production in Saskatchewan is growing in importance. As in the case of beef cattle, southern Ontario is an important producer of hogs, and production in Quebec has been increasing (Hearing, p. 67).

Production of sheep and lambs has been declining in Canada in recent years and 20 to 25 per cent of the lamb consumed now consists of imports from New Zealand and Australia (Hearing, pp. 67-68).

Table 1 shows the number of livestock on farms in Canada (excluding Newfoundland) and total commercial marketings since 1935.

Table 1

Number of Livestock on Farms and Commercial Marketings, 1935-59

(000, 000's)

Year	Cattle and Calves		Hogs		Sheep and Lambs	
	No. on Farms	Marketings	No. on Farms	Marketings	No. on Farms	Marketings
1935	9.0	1.7	3.7	3.0	3.2	.8
1936	8.8	2.0	4.1	3.8	3.2	.8
1937	8.9	2.2	4.0	4.0	3.1	.8
1938	8.5	1.8	3.5	3.2	3.0	.8
1939	8.4	2.0	4.4	3.7	2.9	.8
1940	8.4	2.0	6.0	5.5	2.9	.8
1941	8.5	2.2	6.1	6.2	2.8	.8
1942	8.7	2.1	6.8	6.2	3.0	.8
1943	9.1	1.9	7.4	7.1	3.1	.9
1944	9.5	2.2	6.8	8.9	3.2	1.1
1945	9.6	2.9	5.0	5.9	3.0	1.3
1946	9.2	2.7	4.3	4.5	2.8	1.2
1947	9.1	2.3	5.0	4.8	2.5	.9
1948	9.0	2.9	4.0	4.8	2.1	.8
1949	8.6	2.9	4.5	4.4	1.8	.7
1950	8.3	2.8	4.4	4.8	1.6	.6
1951	8.4	2.3	4.9	4.9	1.5	.5
1952	9.2	2.1	5.4	6.7	1.5	.6
1953	9.8	2.6	4.0	5.0	1.6	.6
1954	10.2	2.9	4.4	5.1	1.6	.6
1955	10.6	3.0	4.8	5.9	1.6	.6
1956	11.0	3.3	4.7	6.0	1.6	.6
1957	11.3	3.6	4.9	5.4	1.7	.6
1958	11.0	3.8	6.2	6.5	1.7	.6
1959	11.1	3.2	6.9	8.6	1.8	.6

Source: Dominion Bureau of Statistics, Livestock and Animal Products Statistics.

Returns from livestock form an important part of farm income, as is shown by Table 2, reproduced in the Statement of Evidence from a study prepared by Drummond and Mackenzie for the Royal Commission on Canada's Economic Prospects.[1]

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1 W.M. Drummond and W. Mackenzie, Progress and Prospects of Canadian Agriculture, a study prepared for the Royal Commission on Canada's Economic Prospects, Queen's Printer, Ottawa, 1957, p. 13.

Table 2

Percentage Composition of Farm Cash Income in Canadian Agriculture

(five-year averages from 1926-30 to 1951-55)

	Wheat[a]	Other grains[b]	Other crops	Total crops	Livestock	Dairy Products	Poultry & poultry products	Total livestock and livestock products	Other[c]	Total
1926-30	37.8	6.8	9.1	53.7	21.1	12.8	8.6	42.5	3.8	100.0
1931-35	26.4	4.2	12.8	43.4	21.8	20.4	9.6	51.8	4.8	100.0
1936-40	25.9	4.7	13.1	43.7	26.3	17.0	7.8	51.1	5.2	100.0
1941-45	19.4	8.1	11.7	39.2	30.2	16.4	8.0	54.5	6.2	100.0
1946-50	22.2	7.8	11.7	41.7	30.0	15.3	7.9	53.2	5.1	100.0
1951-55	22.7	9.4	6.7	38.8	27.6	15.6	9.9	53.1	8.1	100.0

(a) Wheat includes Wheat Board Payments 1944-55.
(b) Other grains includes Wheat Board Payments 1944-55.
(c) Other includes fruit, wool, honey, maple products, miscellaneous farm products, fur farming, forest products sold off farms, and payments under Prairie Farm Assistance Act.

Source: Dominion Bureau of Statistics Reference Paper 25, Pt. II
Dominion Bureau of Statistics, memorandum, Farm Cash Income Series 1953-56

The regional differences in livestock production are reflected in the following table, also reproduced from the study of Drummond and Mackenzie[1], which shows the cash income from major products by regions:

Table 3

Percentage of Cash Income from Major Products Originating in Regions

(1926-30)

	Maritimes	Quebec	Ontario	Prairies	British Columbia
Grains	..	1	5	93	..
Livestock	4	13	49	32	2
Dairy Products	7	28	44	18	3
Poultry	5	13	46	25	11

(1951-55)

	Maritimes	Quebec	Ontario	Prairies	British Columbia
Grains	..	..	3	96	..
Livestock	4	17	37	39	3
Dairy Products	7	36	34	18	5
Poultry	7	18	44	22	9

.. indicates less than 1%.

Source: Dominion Bureau of Statistics Reference Paper 25, Pt. II
Dominion Bureau of Statistics Farm Cash Income Series 1951-55.

The fact that production of livestock, and particularly of beef cattle and hogs, is more highly concentrated in some areas than in others results in certain areas of population being deficient in terms of local supplies of meat. The general situation across Canada is described in the following paragraphs of the Statement of Evidence:

> "If the four Atlantic Provinces are taken together, it will be found that they are a substantial deficit area in the production of meat. A special statement prepared by the Dominion Bureau of Statistics and referred to by Drummond

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1 W.H. Drummond and W. Mackenzie, *op. cit.*, p. 16.

and Mackenzie[1] indicates that in 1954 the deficit amounted to over 61 million pounds of beef, over 48 million pounds of pork, and over seven million pounds of veal. According to a witness before the Royal Commission on Price Spreads of Food Products, the deficit in the case of cattle and hogs amounts to approximately 50 per cent of Maritime requirements.[2]

The Province of Quebec is also a deficit area in the production of meat, including pork, beef, mutton, lamb and poultry meat,[3] although livestock and livestock products (excluding dairy but including poultry) are presently the most important source of cash income for Quebec farmers, and are becoming more important.[4] In Quebec, hog raising is the branch of livestock production which has attained the greatest size.

Ontario has tended to be relatively self-sufficient over-all in the production of meat, but with surpluses in some classes of livestock and deficits in others.[5] Movement of some products to Quebec and to the Maritimes would of course affect this position in any particular year.

It is the Prairie Provinces which are the large surplus producing area in Canada. Indeed the development of the livestock industry has been marked by the increased supply originating on the Prairies, which in the case of hogs has been associated with increased supplies of feed grain and the uncertain returns from wheat; and in the case of cattle with the availability of range land.[6] While it has been estimated[7]

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1 W.H. Drummond and W. Mackenzie, op. cit., p. 159.

2 Evidence of Roy Grant, Assistant Manager, Maritime Cooperative Services Ltd., Royal Commission on Price Spreads of Food Products, Proceedings, Ottawa, 1958, p. 1790.

3 W.H. Drummond and W. Mackenzie, op. cit., p. 190.

4 Ibid., p. 177.

5 J.R.S. Jorgens, "Some Problems of the Processing Industry in Marketing Canadian Livestock", Canadian Journal of Agricultural Economics, Volume 1, No. 1, 1952, p. 62.

6 W.F. Chown, S.C. Hudson and J.N. Lewis, The Direct Marketing of Livestock, Marketing Service, Economics Division, Department of Agriculture, 1941, pp.24 & 25.

7 Report of the Royal Commission on Prices, 1949, Volume III, p. 76.

that only about ten per cent of the beef cattle marketed on the Prairies is produced under actual range conditions (range production occurs in southern Alberta and southwestern Saskatchewan, and also in certain interior valleys in British Columbia) it is nevertheless true that cattle production on the Prairies is generally associated with the extensive use of land. According to Drummond and Mackenzie[1] there is no statistical measure which is completely satisfactory in expressing the extent to which livestock supplies originate in the Prairie Provinces. One measure used in their study is given below:[2]

TABLE 8

Percentage of Canadian Farm Cash Income Originating in the Prairie Provinces from each form of Livestock Production

(1926-30 to 1951-55)

	Livestock	Dairy products	Poultry and poultry products
1926-30	32.0	17.9	24.9
1931-35	34.9	19.0	24.0
1936-40	38.6	18.8	24.8
1941-45	47.2	21.2	34.2
1946-50	40.2	20.0	23.1
1951-55	39.0	18.0	21.5

Source: D.B.S., Reference Paper No. 25, Pt. II and annual series on Farm Cash Income.

Finally, British Columbia is in a heavy deficit position in the production of meat. Beef production supplies only about 30 per cent of the province's requirements, hog production only about 10 per cent, and poultry and egg production together about 80 per cent.[3]

1 W.H. Drummond and W. Mackenzie, op. cit., p. 250.

2 Ibid., p. 251.

3 Ibid., pp. 281 & 282.

An important aspect of livestock production is the raising and finishing of feeder cattle. The feeding of cattle tends to be a specialized enterprise concentrated in the central part of Alberta and in the Lethbridge area in the south of that province, and in Ontario along the western shore of Lake Huron. Feeder cattle purchases by provinces in 1956 amounted to 198, 000 head for Ontario, 147, 000 for Alberta, 33, 000 for Saskatchewan, and 7, 000 for Manitoba, with no other province accounting for more than 2, 000 head.[1] The return of calves to the country for feeding is much less important than is the case with cattle. In the case of hogs it is even less important. It is estimated [2] that only about 4 per cent of the calves marketed go out again for feeding and less than 1 per cent of hogs are returned to the country for further feeding."

(Statement, pp. 23-24)

2. Consumption of Meat

The consumption of meat per capita in Canada has been substantially higher in the period since World War II than in the pre-war period. This factor and the large increase in population in the post-war period have provided a rapidly growing market for livestock. It appears to be the trend when consumer incomes are rising, as has been the case in Canada, for high protein foods like meat and eggs to be substituted for less expensive high calorie foods like bread and potatoes. The following statistics of the per capita consumption of meat in Canada are given in the Canada Year Book, 1960:

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1 Department of Agriculture, Livestock Market Review, 1956.

2 M. Rachlis, "The Structure and Operation of the Canadian Livestock Marketing System," Canadian Journal of Agricultural Economics, Volume 1, 1952, p. 53.

Table 4

Per Capita Supplies of Meat Moving into Consumption, 1956-58, with Average for 1935-39

		Pounds per Capita per Annum				Percentages of 1935-39 Average		
		Average 1935-39	1956	1957	1958	1956	1957	1958
Meat	Carcass wt.	118.1	142.9	142.5	138.1	121.0	120.7	116.9
Pork	"	39.8	49.5	46.2	51.8	124.4	116.1	130.2
Beef	"	54.7	72.0	74.8	64.8	131.6	136.7	118.5
Veal	"	10.5	8.6	9.0	8.8	81.9	85.7	83.8
Mutton and lamb	"	5.6	2.6	2.6	2.7	46.4	46.4	48.2
Offal	Edible wt.	5.8	5.3	5.3	4.8	91.4	91.4	82.8
Canned Meat	Net wt. canned	1.4	5.3	5.2	5.6	378.6	371.4	400.0

Source: Dominion Bureau of Statistics, Canada Year Book, 1960, p. 497.

CHAPTER III

THE MARKETING OF LIVESTOCK IN CANADA

1. Marketing Channels

The following means for the marketing of livestock were described in the evidence of Dr. G.F. Clark (Hearing, pp. 125-32):

1. Public Stockyards
2. Country Auctions
3. Dealers
4. Drovers
5. Country Buyers
6. Co-operatives
7. Direct Delivery to Slaughtering Plant

There are eleven[1] public stockyards in Canada, which are described in the Statement of Evidence as follows:

> "Most of the public stockyards in Canada are public only in the sense that they are subject to fairly detailed public regulation. Nearly all of them began under the proprietorship of private limited companies, and most of them continue to be operated by such companies. One major exception is the Ontario Stock Yards in Toronto. The Ontario provincial government assumed ownership of these yards in 1944[2]. Formerly they had been operated by the Toronto Union Stock Yards, a limited company in which a number of packers including Canada Packers Limited had been interested.
>
> Three public stockyards are operated by livestock producer co-operatives. The yards in Regina [Saskatchewan]

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1 According to the Department of Agriculture publication, Livestock Market Review, 1959, p. 2 the Vancouver stockyards ceased operation as a public market on June 1st, 1959.

2 Livestock & Livestock Products Division, Marketing Service, Department of Agriculture.

and Vancouver [B.C.] are owned by co-operatives in these two provinces, and the stockyards at Prince Albert are leased by the Saskatchewan Co-operative.

The stockyards in Montreal, St. Boniface, Calgary and Lethbridge are owned and operated by one or both railroads. The remaining public stockyards, namely those at Moose Jaw, Saskatoon and Edmonton are owned and operated by other private limited companies. The Moose Jaw yards are operated by a company called the Southern Saskatchewan Co-operative Stockyards, Limited, which is nevertheless a private company in which Canada Packers Limited has a share interest[1]."

(Statement, pp. 37-38)

The results of a survey made by Canada Packers in 1960 showed that firms represented by separate buyers at public stockyards numbered as follows:

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1 EKB 1060A.

Table 5

Number of Firms Represented at Public Stockyards

Public Stockyards	Inspected Slaughterers and Packers	Firms using Custom Facilities	Uninspected Slaughterers	Firms buying for Slaughter in Canada	Livestock Traders & Agents Buying for Others	Buying For:				
						Inspected Slaughterers	Custom Slaughterers	Uninspected Slaughterers	Export	Other
Vancouver [(a)]	4	-	12	16	1	-	-	2	-	-
Edmonton	4	-	2	6	3	6	1	2	2	1
Calgary	4	-	1	5	4	7	6	1	10	1
Lethbridge	3	-	2	5	6	3	1	-	1	5
Prince Albert	4	-	-	4	2	1	1	-	-	-
Saskatoon	5	-	-	5	5	3	-	-	1	4
Moose Jaw	3	-	-	3	6	6	-	-	-	4
Regina	4	1	-	5	4	1	-	-	-	4
Winnipeg	3	1	-	4	14	4	2	-	12	1
Toronto	13	8	3	24	8	12	9	5	2	1
Montreal	2	25	6	33	4	1	7	1	1	-

(a) Ceased operating as a public market June 1st, 1959.

Source: Canada Packers Limited Survey 1960.

(Exhibit H-24B)

For many years the public stockyards have been the most important single channel for the marketing of livestock. About 50 per cent of cattle slaughtered and 35 per cent of calves have been handled through the public stockyards. The percentage has been much less in the case of hogs and, since the recent adoption of a provincial marketing scheme in Ontario, no hogs are sold at the Toronto Stockyards (Hearing, pp. 130-31).

At stockyards in Western Canada almost all sales are made by auction but until late in 1960 sales at the Toronto Stockyards were made by what is termed "private treaty" (Hearing, p. 422). That is, there was private bargaining between the buyer and the commission firm representing the seller in each transaction. At Toronto, there are eight commission firms that do the selling (Hearing, p. 426). In October, 1960 auction selling took place at the public stockyards three days a week and sales were made by private treaty on two days a week (Hearing, p. 422). If the auction method of selling proved satisfactory it might replace selling by private treaty entirely.

The number of country auctions has been growing and livestock producers are supporting them. At the same time public stockyards appear to be holding their positions, so that the country auctions are probably replacing other ways of selling (Hearing, p. 132).

The distribution of public stockyards and country auctions by provinces is shown in Table 6.

Table 6

Number of Public Markets and Country Point Auction Sales Operating in 1959

	Public Markets	Country Auctions
British Columbia	1 [a]	12
Alberta	3	26
Saskatchewan	4	8
Manitoba	1	4
Ontario	1	66
Quebec	1	28
New Brunswick	-	3
Nova Scotia	-	-
P.E.I.	-	-
	11	147

(a) Ceased operating as a public market June 1st, 1959.

Sources: Department of Agriculture, Livestock Market Review and Canada Packers Limited Survey. For country auctions in Alberta, the Alberta Department of Agriculture, and in Ontario, the Ontario Department of Agriculture.

(Exhibit H-23)

Statistics of sales at country auctions are available only for Alberta and Ontario and are given in Tables 7 and 8.

Table 7

Comparison of Livestock Sales at the Calgary, Edmonton and Lethbridge Public Stockyards with Country Auction Sales in Alberta, 1959

	Public Stockyards	Country Auction Sales
Cattle - slaughter	299,457	43,608
Cattle - feeder	134,328	53,500
Calves	108,564	54,802
Lambs	47,357	15,885
Hogs	374,873	282,361

Sources: Department of Agriculture, Livestock Market Review and Alberta Department of Agriculture.

(Exhibit H-21)

Table 8

Comparison of Livestock Sales at the Toronto Public Stockyards with Country Auction Sales in Ontario, July 1, 1959 to December 31, 1959

	Toronto Public Stockyards	Country Auction Sales
Cattle - slaughter	131,800	93,500
Cattle - feeder	36,600	121,200
Calves	57,000	110,600
Lambs	52,900	30,400
Weanling and Feeder pigs	-	507,000

Sources: Department of Agriculture weekly publication, Livestock and Meat Trade Report and Ontario Department of Agriculture.

(Exhibit H-21A)

In the opinion of Dr. G.F. Clark up to about 120 miles is a reasonable distance for trucking livestock. He considered that about 80 per cent of the livestock in Canada is produced within 120 miles of a public stockyard (Hearing, p. 137). Livestock is generally sold in small lots. Some sales are made in carload lots of 25 head or in truckloads of 20 head, but most sales are in smaller

lots. In an auction, sales are mostly made in lots of one or two.

Instead of having his livestock sold on an organized market, such as a public stockyard or country auction, a producer may sell to a middleman, such as a livestock dealer, drover or country buyer. Dr. Clark defined a drover as one who acts as agent for a slaughter house. If the producer is located within reasonable distance of a slaughtering establishment he may sell his livestock by making delivery directly to the plant.

Co-operative marketing organizations of producers provide another means for the sale of livestock and, as will be described later, such organizations now account for substantial shares of livestock marketings in several regions.

2. The Supply of Livestock

The production of livestock, particularly of beef cattle and hogs, has been characterized by recurrent cycles. Because of the longer time needed to build up beef herds and bring the animals to maturity for marketing the cycles have been much longer in the case of cattle than in the case of hogs. The effects of such movements on the supply of livestock and upon prices are described in the following portions of the Statement of Evidence. The reference to long run trends has to do with the effects of mechanization on agriculture:

> "In addition to these very long run trends in the supply of livestock there are recurrent cycles covering a number of years, which develop out of producers' expectations about future relative prices of different agricultural products and the time lags which necessarily occur following decisions to increase or decrease the scale of operations. In the past there have been cycles of cattle production involving a build-up of numbers of cattle marketed over a period of six years. In the upward movement of the cycle, prices of course have usually fallen but since the cattle cycle in Canada has lagged behind that in the United States, the low point in prices in Canada has been reached before the number of cattle has reached a maximum.[1] That the length of this cycle is subject to change is indicated by the fact that steers used to be carried from three to five years of age before being sent to market whereas now steers are commonly slaughtered at two years of age. In these

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1 E.L. Menzie, The Marketing of Beef in British Columbia, The University of British Columbia, April, 1956, p. 5.

circumstances there would have to be at least a two-year lag between increased numbers of cattle on the farm and increased numbers slaughtered but this lag might be extended if a larger than normal proportion of heifers were kept on the farm to build up herds when prices were favourable, so that the number of cattle on farms might be increasing while slaughter was decreasing.[1]

Another factor of some importance is the relationship between the supply of cattle and the price of grain although this is not as close as it is with hogs (see below). An important difference between the two types of livestock in this respect is that great numbers of cattle are finished simply on grass before being marketed. Others however are grain-finished, that is, they have been fed grain and concentrates in feedlots for periods up to six months. The supply of grain-fed cattle therefore depends upon the return to cattle feeders, which in turn depends upon the difference in price of feeder and finished cattle and also the relationship between the price of finished cattle and the price of grain.[2]

Whereas producers of livestock generally possess a greater measure of control over output than is the case with other agricultural crops, the degree of control is lower in the production of hogs than in other livestock operations because of the dependence on the output of feed crops. The cost of feed grain makes up from three-fifths to three-quarters of the cost of producing a hog. The relationship between feed and hog prices is usually expressed as a ratio between the price of corn or barley and the price of hogs. The barley-hog ratio is the number of bushels of No. 1 feed barley at Winnipeg, equal in value to 100 lbs. of live hog also at Winnipeg. Many farmers in Western Canada, particularly, appear to reduce hog production whenever the price or yield of grain increases. When farm income increases, the additional effort required to market grain in the form of hogs does not appear to be worthwhile.[3]

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1 Geoffrey S. Shepherd, Agricultural Price Analysis, The Iowa State College Press, Iowa, 1941, p. 65.

2 Report of the Royal Commission on Prices, 1949, Volume III, p. 76.

3 Ibid., p. 75.

Coming down to short-run factors, seasonal fluctuations in supply obviously play an important part in affecting the prices of livestock. In the case of cattle, marketings reach a seasonal peak in October and November and are seasonally low during the summer months. Consequently prices tend to be low during the fall and high during the summer.[1] In the case of hogs, peak marketings normally occur in November, the upswing beginning in September and a sharp decline coming about in January. Because many farmers in Quebec and Ontario produce two crops of pigs per year, which are ready for market in late March and October, for Canada as a whole a secondary peak in hog marketings occurs in late March.[2] The seasonal variation in prices of course performs a useful function in encouraging farmers to plan their breeding programmes so as to have livestock ready when prices are high and marketings low. Recently, technological developments have promoted more regularity of output, hence greater uniformity of prices, by making it possible to shift breeding and birth dates for livestock.[3]

Finally there may be substantial fluctuations in the supplies of livestock coming forward on particular days during a week."

(Statement, pp. 25-27)

3. Imports and Exports of Livestock and Meat Products

In relation to total Canadian production exports and imports of livestock and meat products are not great, although live cattle, on occasion, are shipped in substantial numbers to the United States. Live hogs are not exported in large numbers but in times of surplus there may be substantial shipments of pork products to the United States (Hearing, pp.246-47). In recent years the trade in livestock and meat products has been largely with the United States, an exception is the importation of sheep and lambs from Australia and New Zealand, but in earlier years considerable exports were made from Canada to the United Kingdom. The fact that under normal conditions trade in livestock and meat products can proceed readily

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1 Ibid., p. 76.

2 M. Rachlis, op. cit., p. 53.

3 W.M. Drummond and W. Mackenzie, op. cit., p. 325.

between Canada and the United States means that prices in the Canadian market generally remain in close relationship with those in the United States (Hearing, p. 247). This is particularly the case if Canadian supply exceeds domestic requirements. Table 9 gives export figures of the principal classes of livestock and meat products.

Table 9

Exports of Meat and Livestock, 1935-60

Year	Meat (000's Pounds)					Livestock (000's Head)			
	Beef[1]	Mutton & Lamb[2]	Pork[3]	Poultry[4]	Meats, n.o.p.[5]	Cattle[6]	Poultry[7]	Sheep[8]	Swine[9]
1935	13, 513	316	132, 435	2, 744	8, 055	134	46	4	19
1936	12, 416	232	174, 493	2, 968	10, 509	285	363	4	76
1937	17, 265	284	219, 142	4, 572	12, 589	322	1, 306	3	83
1938	5, 692	203	178, 494	1, 894	9, 934	179	324	3	6
1939	4, 352	205	194, 992	2, 788	12, 585	293	146	3	6
1940	3, 703	183	353, 309	1, 386	19, 551	234	276	4	7
1941	7, 539	349	482, 526	791	19, 077	254	228	4	37
1942	15, 476	628	538, 018	1, 876	26, 945	216	714	6	6
1943	12, 608	891	588, 068	707	31, 857	63	31	3	9
1944	106, 463	1, 589	718, 465	16, 117	58, 200	59	485	138	10
1945	193, 802	7, 951	462, 687	11, 162	114, 888	80	915	101	9
1946	134, 863	11, 269	298, 429	1, 964	163, 666	105	85	5	8
1947	47, 458	4, 569	249, 126	15, 087	120, 123	83	2, 547	6	11
1948	126, 414	5, 056	226, 990	14, 701	60, 504	457	6, 437	52	7
1949	101, 274	3, 956	77, 442	3, 750	23, 417	421	3, 188	41	2
1950	84, 412	2, 761	84, 807	611	26, 260	459	1, 789	88	2
1951	93, 485	2, 737	29, 314	972	15, 794	239	515	32	4
1952	67, 003	46	26, 419	537	10, 648	15	970	1	1
1953	26, 194	52	69, 574	218	19, 176	70	218	2	21
1954	19, 934	53	69, 951	389	53, 667	89	272	2	27
1955	9, 858	273	73, 275	292	16, 112	68	370	9	9
1956	13, 687	45	61, 956	185	13, 166	57	419	5	2
1957	48, 351	472	40, 303	311	11, 917	388	311	18	2
1958	54, 970	1, 377	65, 979	414	19, 251	670	151	41	8
1959	23, 960	749	69, 166	718	23, 274	343	430	30	5
1960	22, 621	109	69, 690	178	40, 585	273	557	3	7

1 Includes Beef and Veal, fresh, chilled and frozen; Beef - pickled in barrels; Extract of beef.

2 Includes Mutton and Lamb, fresh, chilled and frozen.

3 Includes Pork, fresh, chilled and frozen; Bacon and Hams, Shoulders and Sides, cured or smoked; Hams, canned; Pork - pickled in barrels; Hams, cooked, not canned; Pork, dry, salted.

4 Includes Poultry, dressed or undressed.

5 Includes Canned Meats, n.o.p.; Meat cooked including bologna and weiners; Meat cooked, n.o.p. including bologna and weiners; Edible offal of beef, veal, pork, mutton and lamb; meats, n.o.p.

6 Includes Pure-bred for Improvement of Stock; Dairy Cattle 200 to 700 lb., Dairy Cattle over 700 lb.; Cattle less than 200 lb.; Cattle 200 to 700 lb.; Cattle over 700 lb.; Cattle for Dairy purposes; Cattle one year or less; Cattle over one year.

7 Includes Pure-bred for Improvement of Stock, Baby Chickens, Turkeys, Poultry.

8 Includes Pure-bred for Improvement of Stock, Sheep.

9 Includes Pure-bred for Improvement of Stock, Swine.

Source: Dominion Bureau of Statistics, Trade of Canada.

Some factors bearing on Canadian export trade are mentioned in the following paragraphs of the Statement of Evidence:

"The direction of Canadian livestock products exports in recent years has markedly changed, away from the United Kingdom and toward the United States. So far as cattle exports to the United States are concerned, they are made up largely of feeder cattle from Western Canada and slaughter cattle from Eastern Canada.[1] The American tariff rates in effect on cattle exports to the United States are currently:

Slaughter and Feeder, under 200 lb.
(Quota 200,000), 1 1/2¢; over quota, 2 1/2¢;
200-699 lb., 2 1/2¢; 700 lb. & over (quota 400,000), 1 1/2¢; over quota, 2 1/2¢.
Dairy Cows, 700 lb. & over 1 1/2¢.[2]

Hog exports to the United States take the form of specialty cuts and the relevant tariff rates are as follows:

Pork, fresh or frozen,	1 1/4¢ per lb.
Bacon and Hams,	2¢ per lb. unboned
	3 1/4¢ per lb. boned.

About the future for Canadian meat exports, Drummond and Mackenzie write as follows:[3]

'For some time to come, it seems likely that the present pattern of trade [in pork] will continue. The greater part of total production will be consumed in the domestic market, and a small export of specialty cuts will probably go to the United States. . . .

. . .

Relative to the previous volume of hog exports, beef exports have never been large. Canada's comparative advantage has been grain-fed products and Canadian beef has not competed easily in the world market. Before the war exports represented

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1 M. Rachlis, op. cit., p. 52.

2 Markets Information Section, Marketing Service, Department of Agriculture, Livestock Market Review, 1958.

3 W. H. Drummond and W. Mackenzie, op. cit., p. 58.

about 15% of domestic consumption and ranged around 90 million pounds. In 1955 they were about one-fifth of this level and represented only 2% of domestic consumption.

Future exports of beef are not likely to be large. Some export to the United States will occur at intervals as supplies available in the two countries fluctuate and consumers react to price changes. The volume is not likely, however, to be significant. It seems safe to assume that domestic consumption will be the largest factor in the beef market in the future, as it has been in the past. Indeed it is more than possible that, in occasional years, Canada could be a net importer of beef.' "

(Statement, p. 30)

Statistics of imports of livestock and meat products are given in Table 10.

Table 10

Imports of Meat and Livestock, 1935-60

Year	Meat (000's Pounds): Beef[1]	Mutton & Lamb[2]	Pork[3]	Poultry[4]	Meats n.o.p.[5]	Livestock (000's Head): Cattle[6]	Poultry[7]	Sheep[8]	Swine[9]	Livestock[10]
1935	10,505	83	430	105	1,151	-	3	-	-	-
1936	12,179	19	2,877	306	85	-	37	-	-	-
1937	11,787	40	2,069	151	96	1	28	-	-	-
1938	10,413	402	5,564	265	149	-	32	1	-	-
1939	15,161	1,566	26,647	277	138	-	64	-	-	-
1940	10,776	921	37,155	158	214	-	27	-	-	-
1941	8,770	2,627	5,253	40	214	-	19	-	-	-
1942	5,628	2,010	966	9	65	-	13	-	-	-
1943	6,015	29	2,297	-	43	-	14	-	-	-
1944	5,671	-	660	36	33	-	14	-	-	-
1945	655	-	17	3	25	-	15	-	-	-
1946	6	1	728	1	31	-	34	-	-	-
1947	349	2	5,881	31	2,848	1	26	-	-	-
1948	571	1	1,579	1	30	1	7	-	-	-
1949	9,379	28	5,734	375	8,198	1	10	-	-	-
1950	10,417	486	6,005	687	12,517	1	4	-	-	-
1951	29,382	3,499	22,629	5,050	4,692	1	7	-	-	-
1952	21,015	2,661	4,825	3,592	1,922	1	157	-	-	4
1953	20,313	4,745	436	12,015	4,275	1	161	-	-	5
1954	28,935	7,324	1,482	11,603	3,890	2	618	-	-	12
1955	30,936	10,829	116	17,876	5,914	2	617	-	-	23
1956	27,116	9,563	111	26,568	5,467	2	1,908	-	-	29
1957	36,470	11,032	1,346	18,649	6,291	2	2,323	-	-	36
1958	38,043	21,548	1,533	18,567	5,174	2	6,336	.3	-	19
1959	49,425	20,119	1,212	13,631	7,991	33	4,797	22	-	4
1960	38,541	23,532	17,061	27,156	12,192	9	7,614	28	-	.6

1. Includes Beef, fresh, chilled and frozen; Beef Canned; Beef, Pickled; Edible offal of beef and veal, Beef extract, Corned Beef canned.
2. Includes Mutton and Lamb, fresh, chilled and frozen.
3. Includes Pork, fresh, chilled and frozen; Bacon and hams, shoulders and sides, cured or smoked; Pork, dry or salted; Pork, barrelled in brine; Hams canned.
4. Includes Chickens and Fowls, Turkeys, Canned meat, poultry and game, Poultry, n.o.p., game, partridges.
5. Includes Edible offal, fresh, chilled or frozen; Other meats, fresh, chilled or frozen; Meats prepared or preserved other than canned n.o.p.; Sausages, Meat pies, frozen; Complete dinners, principally of meat (frozen); Other meats salted; Beef and other meats; Poultry and game canned.
6. Includes Cattle for improvement of stock; Cattle, n.o.p.
7. Includes Baby Chicks and Turkey Poults; Fowls, domestic, pure-bred for improvement of stock.
8. Includes Sheep for improvement of stock; Sheep, n.o.p.
9. Includes Hogs, improvement of stock; Hogs, n.o.p.
10. Includes Livestock n.o.p. (Cattle, goats, hogs, sheep and lambs).

Source: Dominion Bureau of Statistics, Trade of Canada.

4. Grading of Cattle and Hogs

When hogs are sold to plants at which government graders are located the price received by the producer is determined after the carcass has been graded. No such system of grading applies in the case of cattle. Some of the reasons for the difference are given in the Statement of Evidence, as follows:

> "Apart from the quantities being marketed, another important factor on the supply side affecting the price received by producers for their livestock is of course the quality. In the case of hogs, settlement is ordinarily made with the producer, only after the animals have been slaughtered and hung 'on the rail', in accordance with government established grades, and after actual grading by a government employee. A system of carcass grading on a voluntary basis was introduced in 1934 and in 1941 rail grading was made compulsory.[1] The advantages of rail grading as against live grading are said to be that since the animals are purchased according to objective standards, there is less risk for both producers and processors; market information for producers is improved because reports can be made with definite quotations rather than in terms of price ranges; the incentive to improve quality is increased because the producers receive a more accurate indication of consumer preferences; animals condemned for disease or other reasons can be traced to the owner; and the wasteful filling of animals with feed and water to increase weight, immediately before selling is eliminated.[2]
>
> In the case of cattle, market prices are quoted in terms of grades like 'choice', 'good', 'medium', 'fair' and 'plain' for the live animal. The grading is not done by a government grader and buyer and seller must estimate the quality according to the expected sales value of the dressed meat. On a voluntary basis however, a government grader will grade beef 'on the rail' for consumer information only, and not for the purpose of settling prices with the producer. The important consumer grades are 'red brand', 'blue brand' and 'commercial'. Studies have shown that there may be a considerable discrepancy between the live grade on the basis of

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1 Submission of the Meat Packers' Council of Canada to the Royal Commission on Price Spreads of Food Products, 1958, Proceedings, p. 4795.

2 E.L. Menzie, op. cit., p. 20.

which settlement is made with the producer and the carcass grade which measures the selling value of the meat.[1] Proposals have been made from time to time to bring about a system of rail grading for cattle similar to that which exists for hogs, and in fact this has been done in a small way.[2] There appear to be a number of difficulties in the way of the general adoption of such a system. Some of these are that identification of the cattle before slaughter by tatooing is not as satisfactory as it is with hogs; the sale of cattle for further feeding and not for slaughter is quite common and may be a profitable business; and at times American buyers of live cattle whose plants are in the United States are important to some producers.[3]"

(Statement, p. 33)

Dr. G.F. Clark gave evidence that Canada Packers has 52 grades for beef (Hearing, p. 205). He also said:

"A. . . . In 1957 the government changed their standards from red and blue brands to 'A' 'B' 'C'. Commercials were broken up into utility grades, D-1, D-2, D-3 and so on."

(Hearing, p. 340)

Dr. Clark pointed out that within market grades for cattle, such as "choice" or "good", individual animals will vary considerably with respect to yield or the quantity and grade of edible meat produced after slaughter (Hearing, pp. 340-42).

5. Buying of Livestock

The following description of the buying of livestock contained in the Statement of Evidence was not questioned at the hearing:

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1 Ibid., p. 9.

2 Hon. L.C. Halmrast, Minister of Agriculture for the Province of Alberta, evidence before the Royal Commission on Price Spreads of Food Products, 1958, Proceedings, Vol. 4, p. 554.

3 J.S. Carmichael and T.S. Rackham, Livestock Marketing in Western Canada, Government of Saskatchewan, 1951, p. 96.

"The actual mechanics involved in the determination of prices for livestock are well set out in the following extract:[1]

'One of the primary considerations of all packers is to obtain such a supply of animals for slaughter that the plant may be operated at an efficient capacity. On the other hand an effort is made to keep the cost of purchases down to a figure that will return a profit on the transaction. Animals are bought on the hoof but the product sold is dressed meat. Consequently buyers are specialists whose training and experience fit them to estimate with a high degree of accuracy the yield and quality of finished product that will be obtained from each purchase. In connection with a plant of any size there are hog buyers, cattle buyers and lamb buyers each an expert in his own field. There are salaried buyers at the plant, at the nearest stockyard, in some cases at country buying stations and in addition connections are maintained with country drovers and with commission agents on more distant stockyards to act as buying agents.

It is common practice in the trade for individual firms to determine their buying policy for the week at a Monday morning conference of senior officials and to leave the actual carrying out of the program to departmental heads. At these conferences all factors that may have a bearing on the situation are reviewed and studied. The export and domestic demand, stocks in cold storage, marketings and probable marketings are all considered before any course of action is decided on. A budget or program for the week is drawn up showing the number to be slaughtered and the price to be paid. This information is passed on to buyers and buying agents. The program is carried out as nearly as possible but may be varied because of competition from other packers and differences in the supply of live stock or demand for products that may become apparent as the week progresses.

The live stock killed each day are costed at once, and pressure is put on the buyers to keep this cost down to the budget figure. This may have to be revised upward in order to get the number of hogs required or may be

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1 W.F. Chown, S.C. Hudson and J.N. Lewis, The Direct Marketing of Live Stock, Marketing Service, Economics Division, Department of Agriculture, November 1941, pp.9 & 10.

revised downward if more hogs are offered than are required. Where several buyers are engaged in buying the same class of live stock their purchases are costed separately and compared one with the other. When one buyer is out of line with the others he is required to furnish an explanation. Thus an attempt is made to keep costs uniform throughout each organization regardless of the source of supply.

At all plants the final measure of the ability of the buyers is the dressed cost of the day's buy. It should be noted that this is an average cost and that there may be small differences in individual purchases. In addition to being an expert judge of live stock, the buyer must have some ability as a bargainer. Due to competition, errors in judgment or skilful bargaining on the part of the seller, he may overpay for some purchases and will constantly try to protect himself and keep his average down by looking for and taking advantage of any bargains he may find.'

As suggested in the above extract, every packer is anxious to obtain a sufficient supply of livestock so that the plant may be operated as close to capacity as possible. This is particularly the case with the larger packers whose fixed costs will be relatively more important. In years of light receipts overhead costs per unit must rise and efforts to increase volume will be redoubled in order to spread these overhead costs. Fluctuating supplies of livestock for shorter periods present similar problems. It also may be noted that there is greater variability in the market supplies of each kind of livestock than there is in the total supplies of all kinds of livestock. This is important because livestock processing facilities are not ordinarily interchangeable.[1] Thus a surplus of cattle cannot be diverted to the processing line for hogs, although calves, sheep and lambs are usually slaughtered on the same processing line."

(Statement, pp. 33-35)

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1 J.R.S. Jorgens, Economist for Swift Canadian Co. Limited, "Some Problems of the Processing Industry in Marketing Canadian Livestock", Canadian Journal of Agricultural Economics, Volume 1, No. 1, 1952, p. 64.

Mr. George Mills, Head Cattle Buyer at Toronto for Canada Packers, gave evidence that between 7 and 7.30 o'clock each morning on five days of the week he had a meeting with the beef department manager of the Company at the main office. At the meeting they reviewed the number of live cattle on hand, which might range from 850 to 900 animals up to 1,500, by types of animals (Hearing, p. 1593). They also reviewed the number of carcasses in cooler stock by types and then checked the orders on hand for meat. Mr. Mills' evidence continued:

"A. Then we try to anticipate the wholesale price of meat and, with our orders and ideas of what this beef may sell at, we go to the stockyards and report this to our buyers there, giving them our ideas of what the cattle should be bought at, and the number of cattle we have on hand, and how many babies, and how many heifers, and how many steers in each grade that they should buy in order to fill up that day's orders."

(Hearing, p. 1594)

6. Regional Markets for Livestock

As has already been indicated, trading in livestock is carried on at a number of different points across Canada and the relationships which exist between the various regional markets are of significance to both sellers and buyers. In the opinion of Dr. G.F. Clark the relationship of prices on the various livestock markets in Canada is very close, taking into account the cost of transportation from surplus to deficiency areas. His evidence included the following:

"A. Well, prices on all livestock markets are closely related, because of the fact that either livestock or the meat produced from livestock can be shipped across the country. There is an extremely close relationship between markets.

Q. Then, do those various markets in Canada reflect the national demand for meat?

A. Yes. The consumer demand sets the price at which the quantity of meat being offered can go into consumption. That price, in turn, determines the price -- the value of the livestock; and because there can be this inter-movement of product between markets, the markets all

settle to a uniform level.

Keeping in mind that there is transportation between markets, the market will show exactly the same trend, or very close to the same trend, at Winnipeg or Calgary or Montreal."

(Hearing, p. 242)

Two charts were produced (Exhibits H-36 and H-37) on which prices of "good" steers and Grade B-1 dressed hogs for a period of years were shown for Toronto, Montreal, Winnipeg, Calgary and Edmonton. In general, the charts indicated that changes in the level of prices tended to be the same on the different markets but discrepancies of some magnitude occurred from time to time. Whether such discrepancies reflected an actual difference in price level or a difference due to some other factor could not, in Dr. Clark's opinion, be determined without a detailed examination. He said:

"A. Well now, when you start to investigate, when you start to talk about the difference between two markets, I want you to be sure of this, that you recognize that transportation is not the only thing that relates markets. We are talking about live animals.

We have talked about the difference in yield. We have talked about the fact that the yield from live animals varies seasonally. We have talked about the fact that the live grades are not a fixed grade but represent an average. When you start to try to relate prices -- in this case we are talking about good slaughter steers -- in Montreal, and good slaughter steers in Edmonton, the differential that exists at one time and the differential that exists at another time -- all of these factors have to be looked at.

I will give you an example of the sort of thing you could be up against. There are periods of the year in western Canada that the condemnation rate of livers from animals will be as high as 30 per cent to 40 per cent, whereas in eastern Canada it may be only at 8 per cent.

Now, a liver weighs about 10 pounds and it is worth about $3 or $4 in total.

So when you try to get to the precision you are talking about, all of these factors that are occurring all of the

time have to be studied. Anytime we have studied them we have concluded that the markets are indeed closely related."

(Hearing, pp. 475-76)

The evidence in the inquiry contains a number of instances when the relationship between different markets was a matter of concern to Canada Packers. Some of these will be referred to later in the report and the situations there disclosed will illustrate the market relationships.

7. Measures to Assist Livestock Producers

Various forms of co-operative arrangements among producers have been developed to assist in the marketing of livestock as well as other agricultural products. In some cases voluntary arrangements have been superseded by marketing schemes established under the authority of provincial legislation. The Statement of Evidence quotes the following passages from the study by W.M. Drummond and W. Mackenzie for the Royal Commission on Canada's Economic Prospects with reference to these developments:

". . . In the first place the growing divergence between the scale of operation of farmers and those who purchased their products caused a steady and pronounced decline in the farmer's bargaining power. In the second place the replacement of many small marketing concerns by one or two or a very few large ones made it less certain that there would be active competition between marketing agencies or that savings obtained through increased marketing efficiency would be passed on to farmers in the form of higher prices.

The problem presented by this state of affairs was how to arrange things so that the prices which farmers received would not be lowered by declines in farmer bargaining power or by lack of price competition on the part of those who bought farm products. . . .

Since the latter part of the last century Canadian farmers have sought increased selling prices through joint action of various kinds. For the first several decades their co-operative efforts were entirely voluntary in character. . . . Where the main aim was to get better price terms through increasing bargaining power, the farmers formed a voluntary

co-operative organization for the express purpose of negotiating prices and other conditions of sale. In such cases no attempt was made to perform any of the remaining marketing functions . . . . Where, however, it was not feasible to bargain collectively and where it was felt that lack of competition among buyers was resulting in unduly low price offers, co-operation took the form of direct participation. The purpose here was to use co-operation to supply the competition which was assumed to have disappeared and thereby to replace monopolistic prices by competitive ones. . . .

. . .

. . . partly because of the large amount of consolidation which had occurred in Canadian food products industries during the 1920's, farmers were coming to believe that their low prices and incomes were partly due to reductions in the number of buyers for their products. . . . For these and other reasons producers from several Canadian provinces pressed for federal marketing legislation. . . ."[1]

As previously mentioned, a marketing scheme for hogs has been established under provincial marketing legislation in Ontario and the sale of hogs is controlled by a marketing board representing producers. Marketing boards for hogs have also been established under provincial legislation in Nova Scotia and New Brunswick. The marketing boards in the two provinces have designated the Maritimes Co-operative Services Ltd. as their selling agency.

". . . In New Brunswick only producers selling to federally inspected packing houses have to sell through the selling agent, and in Nova Scotia only producers selling to packing houses buying more than 200 hogs per month have to deal through the agency. The board controls only part of the product e.g., in Nova Scotia board control amounts to about 58% of production. . . . "[2]

In the province of Quebec a co-operative organization of producers, La Coopérative Fédérée de Québec, has become a substantial seller and slaughterer of hogs. At the time of the study made by W.M. Drummond and W. Mackenzie, previously mentioned:

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1 W.M. Drummond and W. Mackenzie, op. cit., pp. 288-289, 294.

2 L.E. Poetschke and Wm. Mackenzie, The Development of Producer Marketing Boards in Canadian Agriculture, Department of Political Economy, University of Alberta, Edmonton, 1956, p. 65.

". . . Its present marketing facilities include three abattoirs, two stations for receiving slaughtered animals, a central livestock selling agency, two poultry processing plants, three egg receiving and grading centres, a grain elevator, a plant for manufacturing butter and cheese boxes and cold storage and warehouse facilities."[1]

Evidence obtained in the inquiry indicated that in 1955 La Coopérative Féderée de Québec "had control of approximately 35% of the hogs marketed or produced in Quebec Province, but facilities or outlets for something less than 25%" (EKB 964-968).

Co-operative organizations for the marketing of livestock operate in the four western provinces. In Manitoba and Saskatchewan they are operated as departments of the provincial wheat pool organizations. In a submission made to the Royal Commission on Price Spreads of Food Products by the Executive Secretary of the Co-operative Union of Saskatchewan, the extent of co-operative marketing was described as follows:

". . . in 1956, Saskatchewan Marketing Co-operatives handled some 42 per cent of all eggs marketed, 56 per cent of the poultry, 68.5 per cent of dairy products, 57 per cent of the sheep, 31 per cent of the hogs, 50 per cent of cattle and calf marketings and 53.2 per cent of grain marketings. . . ."[2]

The Alberta Livestock Co-operative Limited handles about 30 per cent of the hogs marketed in that province (Hearing, pp. 1822-23). The British Columbia Livestock Producers Co-operative Association owns the Vancouver Stockyards but most sales are made directly from members' ranches.[3]

Support for the marketing of agricultural products has also been provided under federal legislation. The Agricultural Stabilization Act, which came into effect in March, 1958, replaced the Agricultural Prices Support Act, which had been passed originally in 1944 and requires mandatory support for nine commodities - cattle, hogs, sheep, cheese, butter, eggs, wheat, oats and barley. The nature of the support is described in the Canada Year Book, 1959

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1 W.M. Drummond and W. Mackenzie, op. cit., p. 290.

2 Royal Commission on Price Spreads of Food Products, Proceedings, Ottawa, 1958, pp. 1502-03.

3 E.L. Menzie, op. cit., p. 2.

as follows:

> "Stabilization assistance may be provided by purchase of the commodity at the prescribed price level, by deficiency payment to make up the difference between the average market price and the prescribed price, or by other payment for the benefit of producers to maintain a prescribed price. Mandatory stabilization prices must be at least 80 p.c. of the average market prices for the ten previous years. Any natural or processed product may be designated and support prices for designated commodities may have any percentage of the base price used in establishing the level of support. Local conditions and cost of production are taken into account in the support price which stands for a period of 12 months."[1]

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1 Dominion Bureau of Statistics, Canada Year Book, 1959, p. 393.

CHAPTER IV

THE NATIONAL PACKERS

1. History of National Packers

Three meat packing firms are commonly referred to as national packers because they operate plants in more than one region in Canada and distribute their products on a national scale. The three firms, in order of size, are Canada Packers, Swift Canadian Co. Limited and Burns & Co. Limited. Descriptions of these companies, as given in the Statement of Evidence, follow:

"(a) Burns & Co. Limited

This Company, the smallest of the national packers, was incorporated as a Dominion company on May 14, 1928 as the successor to P. Burns & Company Limited, founded by the late Hon. Senator Patrick Burns in 1890. The head office is in Calgary, Alberta. Meat-packing plants were built or acquired as follows:[1]

Calgary -	plant built, being the first meat-packing plant in Calgary.
Vancouver -	plant built about 1906.
Edmonton -	plant built shortly after Vancouver.
Prince Albert -	assets, including plant of the Russell-Baker Packing Company, subsequently acquired, date not known.
Regina -	assets including plant of the Gordon, Ironside & Fares packing organization subsequently acquired, date not known.
Winnipeg -	assets including plant of the Gallagher-Holman packing organization acquired in 1926.
Kitchener -	business including plant of Dumarts

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1 Burns & Co. Limited, Return of Information, October 2, 1956.

	Limited, now Burns & Co. (Eastern) Limited acquired in 1941.
Montreal -	business including plant of Modern Packers Limited and Dominion Packers Limited acquired in 1955.

In addition Burns & Co. Limited or its predecessor P. Burns and Co. Limited acquired two major subsidiaries in the non meat-packing field. One of these is Palm Dairies Limited, a wholly-owned subsidiary of Burns which in 1952 operated directly or through two subsidiaries, Woodland Dairy Co. Ltd., and Crystal Dairy Limited, thirteen branches in Western Canada and Northern Ontario.[1] It was acquired in 1929.[2] Recently, Palm Dairies Limited acquired the business of another company, Turner's Dairy Limited, Vancouver in 1952.[3] The other major subsidiary 98 per cent of whose common shares are owned by Burns is the Consolidated Fruit Co. Ltd., which directly or through its divisions, National Fruit Co., and The Scott Fruit Co. operated seventeen branches in Western Canada in 1950.[4] The date of the acquisition of the Consolidated Fruit Co. Ltd. is not known. Burns & Co. Limited also manufactures and sells a complete line of feeds and fertilizers.

(b) Swift Canadian Co. Limited

The Company was incorporated as a Dominion company in 1902 under the name J.Y. Griffin and Company Limited. In 1905 all the shares were acquired by Swift & Company, of Chicago, which has owned them ever since. In 1911 the name of the Company was changed to the present one. Head Office is in Toronto. Meat-packing plants were built or acquired as follows:[5]

Winnipeg -	business including plant of J.Y. Griffin and Company Limited acquired in 1905.
Edmonton -	plant built in 1908.
Toronto -	assets including plant of D.B. Martin Limited acquired in 1911.
New Westminster-	business including plant of Vancouver-Prince Rupert Meat Co.Limited acquired in 1917.

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1 The Financial Post Survey of Industrials, 1952.

2 The Financial Post Survey of Industrials, 1940.

3 The Financial Post Survey of Industrials, 1954.

4 The Financial Post Survey of Industrials, 1950.

5 Swift Canadian Co. Limited, Return of Information, September 27, 1956.

Moose Jaw -	assets including plant of Gordon Ironsides & Fares Ltd., acquired in 1926, operations discontinued by Swift Canadian in 1952.
Moncton -	plant built in 1926.
Calgary -	assets including plant of the Union Packing Company Limited acquired in 1946.
Vancouver -	plant of Alberta Meat Co. Ltd. acquired in 1958.[1]

Swift Canadian Co. Limited has acquired a number of other companies in the non meat-packing field, the operations of which are still being carried on. In 1924, the Moose Jaw Cold Storage Co. was acquired. The Wonderful Soap Company Ltd. of Guelph, Ontario was acquired in 1947 and is now operated as a division of Swift Canadian Co. Limited. The assets of Federated Cereal Mills Limited, Amherst, Nova Scotia were acquired in 1951 and those of James Milling & Supply Co. Limited, Wyoming, Ontario in 1952, both properties now being used in the Company's feed manufacturing operations. In 1951 also, the physical assets of the Gainforth Hatchery in Trenton, Ontario were purchased.

In addition to the plants so far mentioned, Swift Canadian Co. Limited operates eight dairy and poultry plants;[2] and a fertilizer plant in Toronto.[3]

(c) Canada Packers Limited

The Company was incorporated in 1927 as a Dominion company with head office in Toronto. Companies merged upon its incorporation were The Harris Abattoir Company Limited, Gunns Limited, William Davies Company Limited and Canadian Packing Company Limited.[4] It was

1 Swift Canadian Co. Limited, Return of Information, January 22, 1959.

2 Swift Canadian Co. Limited, Return of Information, January 19, 1957.

3 Swift Canadian Co. Limited, Return of Information, February 13, 1957.

4 Canada Packers Limited, Return of Information, October 12, 1956.

The Harris Abattoir Company, Limited, which took the initiative in the merger, acquiring first by purchase the Canadian Packing Company Limited and Gunns Limited and subsequently acquiring William Davies Company, Limited by exchange of shares.[1] The Canadian Packing Company, Limited had itself been formed as a result of a merger. In 1911, George Matthews Company with plants at Peterborough, Hull and Brantford, the Laing Packing and Provision Company with a plant in Montreal and Park Blackwell Company with a plant in Toronto merged to form the Matthews-Blackwell Company.[2] In 1918 this Company was sold to Allied Packers of the United States and the name was changed to Canadian Packing Company, Limited. Meat-packing plants were built or acquired by Canada Packers Limited or its predecessor The Harris Abattoir Company Limited as follows:

Toronto	-	plant built by The Harris Abattoir Company Limited in 1901. A new plant built in 1913.
Winnipeg	-	plant acquired from Gordon, Ironside & Fares, Limited in 1920. A new plant built in 1925.[3]

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1 In his evidence, Mr. W.F. McLean said that The Harris Abattoir Company Limited acquired ownership of Gunns Limited and had purchased the assets of Canadian Packing Company Limited. Then a holding company called Canada Packers Limited was formed, which accepted the shares from shareholders of The Harris Abattoir Company Limited and from shareholders of William Davies Company Limited and issued shares of Canada Packers Limited in return (Hearing,pp. 710-711).

2 Canada Packers Limited, The Story of Our Products, 1943, and Evidence of J.S. McLean before the Special Committee on Price Spreads, 1934, Proceedings, p. 257.

3 Canada Packers Limited, op. cit.

Toronto	-	business including plant, of Gunns Limited acquired in February 1927. Business including plant of the Canadian Packing Company, Limited acquired in June 1927. Plant acquired through merger with William Davies Company, Limited in August 1927.
Montreal	-	business including plant of the Canadian Packing Company, Limited acquired in June 1927. Plant acquired through merger with William Davies Company, Limited in August 1927.
Hull	-	business including plant of the Canadian Packing Company, Limited acquired in June 1927.
Peterborough	-	business including plant of the Canadian Packing Company, Limited acquired in June 1927.
Winnipeg	-	plant acquired through merger with the William Davies Company, Limited in August 1927. [Stated to be a cold storage plant (Hearing, p. 633)]
Chicago	-	plant acquired through merger with the William Davies Company, Limited in August 1927.
Edmonton	-	plant built in 1936.
Vancouver	-	plant built in 1938.
Toronto	-	business including plant of Frank Hunnisett Limited acquired in May 1940.[1]
Charlottetown	-	assets including plant which was subsequently rebuilt, of Davis & Fraser Limited acquired in 1947.
Danville, Illinois	-	plant purchased in 1949 from the liquidators of the Rose Packing Co. Inc. Now owned and operated by William Davies Company, Inc., a wholly-owned subsidiary.[2]
Moose Jaw	-	plant built in 1953.
Saint John, N.B.	-	plant leased for a period of 31 years from the Municipality of Saint John in 1954[3]
Montreal	-	business including plant of Wilsil Limited, acquired in 1955.

1 Canada Packers Limited, Return of Information, October 12, 1956.

2 EKB 735-739.

3 Canada Packers Limited, Return of Information, November 30, 1956

Calgary - business including plant of Calgary Packers Limited acquired in 1955."

(Statement, pp. 61-64)

At the hearing, Mr. W.F. McLean stated that a beef killing plant was being built by the Company at Lethbridge, Alberta. This would have an initial capacity of about 1,000 cattle a week or about the size of the Hunnisett plant in Toronto (Hearing, p. 714).

The operations of Canada Packers are described further in the Statement of Evidence:

"Fertilizer production in five plants built by Canada Packers Limited has been expanded by the purchase of the assets and plant of Scottish Fertilizers Limited at Welland, Ontario in 1943; of the assets and plant of George A. Chase Limited at Port Williams, Nova Scotia in 1947; of the shares of Summerside Fertilizer Co. Limited with a plant at Summerside, P.E.I. in 1950; and of the assets and plant of A.W. Higgins Co. Inc. at Presque Isle, Maine in 1954.[1]

Canada Packers Limited entered and expanded in the leather tanning field by purchasing the shares of The Collis Leather Co. Limited, (with 1956 sales of $3,557,145) Aurora, Ontario in 1936; of Beardmore & Co. Limited (with 1956 sales of $7,936,381) Acton, Ontario in 1944; of Anglo-Canadian Leather Co. Limited, (with 1956 sales of $2,305,018) Huntsville, Ontario in 1952; and also in 1952 by purchasing a 60 per cent share interest in Eclipse Real Estate Limited, Oshawa, Ontario which owns all the shares of The Robson Leather Company Limited,[2] (with 1956 sales of $4,292,621).

The following creameries, which are still operated along with ten others built by Canada Packers Limited, were purchased as follows: Fort Frances, Ontario, 1941; Manitou, Manitoba, 1942; Crystal City, Manitoba, 1942; Bancroft, Ontario, 1943; Glenboro, Manitoba, 1944; and Exeter, Ontario, 1950.

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1 Canada Packers Limited, Return of Information, October 12, 1956.

2 Ibid.

Feed Mills of which Canada Packers Limited now owns twelve were purchased at Wingham, Ontario in 1938; at Truro, Nova Scotia in 1944; at Port Williams, Nova Scotia in 1947; at Berwick, Nova Scotia in 1949; at Bridgewater, Nova Scotia in 1952 and at Brantford, Ontario in 1956. These mills make a complete feed by mixing concentrate with the farmer's own grain. In the case of Port Williams, a feed concentrate plant was also purchased in 1947. Four other feed concentrate plants have been built by Canada Packers.

Of the seven fruit and vegetable canneries owned by Canada Packers Limited those at Brantford, Winnipeg and Sardis, British Columbia were converted by the Company from other properties it acquired; those at Brighton, Burford and Niagara, Ontario were purchased in 1946, 1950 and 1951 respectively; and one was leased in 1955 at Osoyoos, British Columbia.[1]

Canadian Vegetable Oil Processing Limited, (with 1956 sales of $5, 376, 756) an important subsidiary engaged in the crushing of soya beans for the production of meal for animal feeds and edible oil, was acquired in 1950.

Canada Packers Limited is also engaged in the distribution of fruit and vegetables, and its activities in this direction were extended in 1952 by the acquisition of Masson & Sons Limited, Montreal (with 1956 sales of $2, 033, 509) and in 1956 by the acquisition of Porters Limited of Perth, New Brunswick, and Parent Goyer et Cie of Montreal.

In addition to the plants already mentioned, Canada Packers Limited operates four poultry plants at Napanee and Mount Forest, Ontario, and at Joliette and Three Rivers, Quebec; a poultry hatchery at Brantford, operated by a subsidiary, Spruceleigh Farm Co. Limited, which is 79 per cent owned by the Company; a soap plant at Toronto; jute bag plants at Montreal and Vancouver operated by a subsidiary, Industrial Bags Limited, (with 1956 sales of $1, 711, 333) which is 97 per cent owned by the Company; a plant in Toronto

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1 In 1959-60 plants were operated at Brantford, Burford, Sardis and Osoyoos; the latter plant was purchased in 1956. The property at Brighton had been sold and that at Niagara-on-the-Lake was for sale. The plant at Winnipeg had been closed and the equipment placed in the existing Canada Packers building (Hearing, pp. 1505-08).

which processes feathers and down and manufactures foam rubber, operated by a subsidiary, Feather Industries Limited, (with 1956 sales of $586,376) which is 90 per cent owned by the Company; and five public cold storage plants operated by . . . Federal Cold Storage and Warehouse Co. Ltd., Public Cold Storage & Warehousing Co. . . .

Listed below are the locations of the branch houses operated by Canada Packers Limited in 1956[1]:

Victoria
Prince Rupert
Calgary
Prince Albert
Regina
Saskatoon
Fort William
Sault Ste. Marie
Sudbury
Timmins
Ottawa
London
Windsor
Rouyn
Quebec City
Moncton
Halifax
Sydney
St. John's Nfld.
Corner Brook
Whitehorse"

(Statement, pp. 66-67)

2. Consolidation of Packing Operations by Canada Packers

The conditions under which Canada Packers was established were described by the late President of the Company as follows:

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1 Canada Packers Limited, Return of Information, October 12, 1956.

". . . It was chiefly then during the war, that the packing industry, the same as every other industry that was producing the necessaries of life, was profitable; prices were going up and up and up; it is then that every business makes profits, when prices keep going up and up and up. So that all the packing houses during the war made profits, and by reason of that fact and by reason of the additional fact that there was constant pressure for more and more and more product, the packing houses in Canada kept extending their plants, building new plants and so on. After the war they found themselves with a very much curtailed outlet. We shipped hundreds of millions of pounds of bacon and beef to Europe during the war; and after the war, within three years, our whole export trade had practically disappeared. So the packers found themselves in this position, that they had far more plants than they needed for the volume that was available, and each plant kept struggling to maintain itself, which of course was the only thing that each plant could do. The whole packing situation was in a very unsatisfactory condition, unsatisfactory for the shareholders of the packing company and also unsatisfactory for the farmers, inasmuch as there were too many plants and too much expense attached to doing their job. Well that gradually corrected itself just in the way all such situations correct themselves; one business after another just disappeared, went into liquidation. . . . Well, that went on and on, and all this process of attrition went on with the situation going from bad to worse, and finally the last step and the most constructive step that was taken in my view was the formation of the company that I am attached to, namely Canada Packers. Four of the largest companies then in operation in the packing business merged to form Canada Packers. By reason of these plants closing and by reason of the merging of these four businesses in Canada Packers and consequent reduction in the cost, in the amount of expense that was attached to the marketing of live stock in Canada - I should think there was a subtraction there of expense from the cost of marketing live stock of perhaps ten million dollars, or perhaps twelve million dollars a year; - and the packing house industry began to get on a better basis, but still not without its difficulties as those of you who know any of the companies are aware."[1]

The location of the properties which were consolidated under Canada Packers are tabulated in the Statement of Evidence as follows:

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1 Evidence of J.S. McLean, before the Special Committee on Price Spreads, 1934, Proceedings, pp. 248-49.

"Gunns Limited	The Harris Abattoir Company Limited	William Davies Company, Limited	Canadian Packing Company Limited
Toronto	Toronto	Toronto	Toronto
		Montreal	Montreal
	Winnipeg	Winnipeg [cold storage]	
			Hull
			Peterborough"
		Chicago (no slaughtering)	

(Statement, p. 68)

The operations of the four companies, prior to consolidation, were described as follows in the evidence of Mr. W.F. McLean (Hearing, pp. 583-84):

Harris Abattoir - meat packing was principal business but company also engaged in production of oils and shortening and in eggs, butter and cheese and in the manufacture of processed cheese. Company manufactured chemical fertilizers and materials for use in animal feeds. Company was distributor of fruits and vegetables.

Gunns - with exception of processed cheese company engaged in similar lines to those of Harris Abattoir but not to the same extent in produce lines.

William Davies - also engaged in similar lines but not so heavily in produce items. Company was a manufacturer of pickles.

Canadian Packing - almost entirely confined to meat packing.

As indicated above, Canada Packers acquired 9 meat packing plants in Canada. By 1930 one plant had been sold and slaughtering was being carried on in 6 plants, including two in Toronto (Exhibit H-80). The following year, 1931, operations were consolidated in one plant in Toronto and the former plant of William Davies was closed. The steps taken were described by Mr. W.F. McLean as follows (Hearing, pp. 590-92):

Toronto - During the summer of 1927 the plants of Harris Abattoir and Gunns which were on adjacent properties were co-ordinated. All slaughtering was done in the Harris plant and carcasses put in Gunns' coolers. By the fall of 1927 various other departments were combined.

Before March, 1928 the plant of Canadian Packing was closed and operations were transferred to the plant of William Davies which was operated until about 1931 (Hearing, p. 698).

Montreal - The plants of Canadian Packing and William Davies were co-ordinated by March, 1928. All slaughtering was concentrated in one plant and a connection built to the other so that the coolers could be used.

The principal business locations of Canada Packers after consolidation of the operations of the four companies was effected were as follows:

Meat Packing Plants

Montreal, P.Q.
Hull, P.Q.
Peterborough, Ontario
Toronto, Ontario
Winnipeg, Manitoba
Chicago, U.S.A.

Distributing Branches

Corner Brook, Nfld.
Charlottetown, P.E.I.
Sydney, N.S.
Halifax, N.S.
New Glasgow, N.S.
Saint John, N.B.
Quebec, P.Q.
Rouyn, P.Q.
Montreal, P.Q.
Three Rivers, P.Q.
Ottawa, Ontario
Toronto, Ontario
London, Ontario
Windsor, Ontario
Sudbury, Ontario
Sault Ste Marie, Ontario
Fort William, Ontario
Timmins, Ontario
Moose Jaw, Saskatchewan
Regina, Saskatchewan
Saskatoon, Saskatchewan

Creameries, Produce and Poultry Units

Wiarton, Ontario
Clinton, Ontario
Laurel, Ontario
Shelburne, Ontario
Shamrock, Ontario
Wingham, Ontario
Walkerton, Ontario
Harriston, Ontario

Fertilizer and Livestock Feed Materials

Toronto, Ontario

Soap

Toronto, Ontario

Public Cold Storages

Toronto, Ontario
Ottawa, Ontario
Winnipeg, Manitoba
Montreal, P.Q.
Chicago, U.S.A.

Shortening and Edible Oils

Toronto, Ontario

Processed Cheese

Toronto, Ontario

Vegetable Canning

Picton, Ontario

Pickles

Toronto, Ontario

Potatoes

Charlottetown, P.E.I.

(Exhibit H-77)

The operations of the merged companies were profitable in the first year after amalgamation. The financial results were described in a Company memorandum, dated June 26, 1951, as follows:

". . .

For the seven years 1921 to 1927, Companies A, B and C [Wm. Davies, Canadian Packing and Gunns] had made a combined average loss of ..	$1,250,000.
In the same years Company D [Harris Abattoir] had made an average profit of	250,000.
Net average loss per year of the 4 companies	$1,000,000.

The merger was planned upon the expectation that within two or three years, this loss could be converted into an annual profit of $1,000,000 per year.

This expectation was more than realized.

In the first $7\frac{1}{2}$ months (August 15, 1927 to March 28, 1928) a profit was made of .. (rate of $1,500,000 per year)	$1,000,000.
For the next two fiscal years the profit each year was	$1,500,000.

Then came the depression. For three years profits were substantially reduced. They were:

Year ending March,	1931	..	$ 838,000.
" " "	1932	..	384,000.
" " "	1933	..	607,000.

In the year ending March, 1934, profit increased to .. .. $1,429,000.
And since then profits have averaged .. $1,903,000.

In no year has Canada Packers made a loss.

. . ."

(EKB 740A-758K)

In the Company's annual reports the improvement in earnings was attributed to the elimination of losses on export business and the reduction in costs through the co-ordination of plant and sales work (Exhibit H-80, Extract from Annual Report of Canada Packers Limited of March 27, 1930).

It is alleged by the Director that: "The improvement in earnings was made possible by the elimination of competition rather than by the institution of operating economies, most of which were not effected until some years later." (Statement, p. 719) It would be expected that the bringing of four of the largest meat packing firms in Canada under one ownership would have a substantial effect initially on competitive conditions in the Canadian market, particularly when there was considerable surplus capacity in the meat packing industry and, in the words of the late Mr. J.S. McLean, "each plant kept struggling to maintain itself."[1]

The evidence given to the Commission, however, indicates that economies in operation began to be obtained soon after acquisition. Mr. W.F. McLean testified that Gunns had been put on a profitable basis between the time it was acquired by Harris Abattoir in February, 1927 and the formation of Canada Packers in August, 1927 (Hearing, p. 588). In order to reduce unprofitable export shipments, sales abroad were reduced from 85 million pounds in the year preceding amalgamation to the equivalent of 54 million pounds in the first year after amalgamation. Export sales were further reduced to 28 million pounds in 1928-29 and to 15 million pounds in 1929-30 (Hearing, p. 604). The Company's annual reports pointed out that no exact measure could be made of the savings from economies and from curtailment of unprofitable

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1 Evidence of J.S. McLean, before the Special Committee on Price Spreads, 1934, Proceedings, pp. 248-249.

export business but the former were placed at half a million dollars in the first year of operations (Exhibit H-78) and the total at not less than one million dollars in the second year (Exhibit H-79).

On the basis of the evidence put before the Commission it must be concluded that the co-ordination of plant operations under the ownership of Canada Packers made a substantial contribution to the improvement in earnings even though the co-ordination of sales and distribution did not take place until some years after amalgamation. Another factor which contributed to the profits of the merger immediately after its formation was a general improvement in conditions in the meat packing industry with sustained volume of total sales (Hearing, p. 624).

3. Acquisition of Meat Packing Plants by Canada Packers

As previously described, the consolidation of the operations of the merged companies between 1927 and 1930 resulted in Canada Packers having six meat packing plants in Canada. The number was reduced to five when the William Davies plant in Toronto was closed during the depression. Subsequently the Company built plants at Vancouver and Edmonton and converted a branch at Moose Jaw to a meat packing plant. The plant in Saint John, N.B. was leased from the municipality in 1954 and construction of a plant at Lethbridge, Alberta was under way in 1960. In 1940 Canada Packers acquired Frank Hunnisett Limited with a plant at Toronto and in 1946 or 1947 the Company acquired Davis & Fraser Limited and rebuilt a plant at Charlottetown, P.E.I. which had previously been burned out. In 1955, Wilsil Limited and Calgary Packers Limited were acquired with plants at Montreal and Calgary respectively.

Of the 13 meat packing plants which Canada Packers had in operation in 1960, 5 originated from the merger in 1927, 3 were built by the Company subsequently, 1 was leased, 1 was rebuilt after the business had been acquired and 3 were secured by other acquisitions. The location and 1960 capacities of the meat packing plants may be set out in tabular form as follows:

Table 11

Canada Packers Limited - Location and Capacity of Meat Packing Plants, 1960

	Weekly Slaughtering Capacity[a]		Estimated Weekly Kill 1959	
Original Plants	Cattle	Hogs	Cattle	Hogs
Toronto	4,500	18,000	3,825	14,295
Peterborough	600	3,000	-	2,465
Montreal	1,500	8,000	560	5,500
Hull	800	4,500	400	2,775
Winnipeg (St. Boniface)	4,500	12,000	2,580	6,900
Plants Built				
Vancouver (1938)	750	1,800	430	1,740
Edmonton (1936)	2,000	8,000	1,830	6,070
Moose Jaw (1953)			130	550
Plants Leased				
Saint John (1954)			50	375
Plants Acquired	Maximum Daily Slaughter			
Toronto (Frank Hunnisett, 1940)	280	-	780	-
Charlottetown (rebuilt 1947)	80	880	215	1,130
Montreal (Wilsil, 1955)[a]	280	3,360	110	2,600
Calgary (Calgary Packers, 1955)	240	2,400	1,300	2,650
Under Construction, 1960	Weekly Slaughtering Capacity			
Lethbridge	1,000[b]			

(a) Not including custom slaughtering.
(b) Hearing, p. 714.
Sources: Exhibits H-12, H-85, H-99, Canada Packers' Return of Information dated October 12, 1956, EKB 722.

The following table showing investments in fixed assets in Canada Packers' meat packing plants shows that the bulk of investment has been made in the original plants and those built by the Company. The totals of sums invested over a period of years are affected, of course, by variations in the value of the dollar.

Table 12

Investments in Fixed Assets in its Canadian Meat Packing Plants by Canada Packers Limited [a] (including Subsidiaries)

(000's Dollars)

Present Plants	Fiscal Year Ending March - First Year of Operation	Book Value of Gross Fixed Assets at Fiscal Year Ending March - First Year of Operation	Book Value of Gross Fixed Assets as at Fiscal Year Ended March 25, 1959
Plants Existing at Formation of Canada Packers			
Montreal	1928	$ 1,824	$ 3,175
Hull	"	461	1,258
Peterboro	"	699	957
Toronto	"	5,015	11,317
Winnipeg	"	2,048	4,115
		$10,047	$20,822
Plants Built			
Moose Jaw	1955	298	353
Edmonton	1938	990	3,442
Vancouver	1939	681	1,315
		$ 1,969	$ 5,110
Plants Acquired			
Hunnisett (Toronto)	1941	127	272
Charlottetown	1947	129	731
Wilsil (Montreal)	1956	2,344	3,323
Calgary Packers (Calgary)	1956	710	1,065
		$ 3,310	$ 5,391
Plants Leased			
Saint John	1955	19[b]	230
		$ 19	$ 230
TOTAL			$31,553

(a) Does not include Vegetable Oil Processing Fixed Assets at Toronto, Montreal, Winnipeg, Edmonton and Vancouver.

(b) Does not include gross fixed asset value of premises rented. This is estimated to be $266,000.

Source: Canada Packers Limited accounting records.

(Exhibit H-86)

The acquisition of Wilsil Limited and Calgary Packers Limited will be dealt with more fully in later sections of this report. With regard to the acquisition of Frank Hunnisett Limited in Toronto Mr. W.F. McLean gave the following evidence:

" BY MR. DAVIDSON:

Q. . . . Would you mind reviewing what you said about the considerations which led to the acquisition of Hunnisett?

A. Yes. I believe I said that we acquired Hunnisett in 1940, or that Canada Packers acquired Hunnisett in 1940, and that it was on the verge of bankruptcy and had had a difficult time from the profit point of view during the thirties.

Q. Was there any other consideration? It is close to your earlier operations in Toronto?

A. It is a quarter of a mile, in round figures from the Canada Packers west Toronto plant, -- maybe a little less than that. But, it is within a few hundred yards of that, anyway.

Q. Could you expand on that a little bit? I can see that one of the conditions may be that you would wish to buy a plant that could be bought at a reasonable price. But that would not be the only reason, would it?

A. I think in this case that was the principal one. It was a business at a reasonable price that we felt -- and when I say 'we' in this context I am speaking of Canada Packers. I was not involved in this particular transaction personally; but that we felt it could be operated by Canada Packers management at a profit.

Q. And what would lead you to choose that over increase in your volume in your existing plant?

A. Because it was available. It was clear that it had to be sold.

Q. Accepting that fact, then, why would you still choose that rather than expand your volume in your own plant; or were your own plants up to capacity?

A. Well, I presume -- I don't know whether we thought we were up to capacity in 1940. But I presume they

could not have been, because they are putting through more beef now than they were -- and I am now referring to the West Toronto plant. It is putting through more beef now than it was in 1940, with no substantial addition to the plant. We have added since 1940 another beef cooler, but we have not had any expansion of the physical limits of the building.

Q. Well, I am just not very clear as to why you would make one choice rather than the other?

A. All I can say is that the plant was available for sale. The previous owner or owners had had an unfortunate profit record during the thirties, and that they owed the bank a considerable amount of money, and it was clear that the plant must be sold. The plant was available for sale at a reasonable price and it was concerned with a business which Canada Packers thought they knew quite a bit about operating, and that they could make a profit, and so we bought it. I think those were the considerations.

Q. Were you concerned that someone else might buy it, if you did not?

A. Not to my knowledge, no.

Q. Were you of the opinion that you could make more profit by putting the volume through Hunnisett plant than by putting increased volume through your own plant?

A. I cannot answer that, I don't know."

(Hearing, pp. 715-17)

By 1945 Canada Packers had under consideration the establishment of a meat packing plant in the Maritime Provinces, in which only distributing branches were then being operated. In a letter of March 29, 1945 to Mr. N.J. McLean, then Vice-President and General Manager, Mr. C.C. Polkinghorne, then a Director of the Company, reviewed the question of establishing a plant either in Prince Edward Island or in Nova Scotia. The following excerpts are taken from this letter:

". . .

<u>For Prince Edward Island:</u>

. . .

3. We should get into the Produce business in the Island, and a Poultry and Egg Department would be part of the Plan.

4. With a Plant on the Island, we would be able to hit Davis and Fraser people harder, particularly on Livestock.

. . .

<u>For Nova Scotia:</u>

1. No other Packinghouse there.

. . .

5. If we don't build, someone (?) will, and we may lose some of our present business.

6. A Plant in Nova Scotia, particularly if in Halifax, would hit Davis and Fraser distribution.

. . .

No final recommendation is made, but the weight of opinion is in favour of Nova Scotia, rather than the Island, chiefly because of:-

(a) Present Livestock population indicates that a Nova Scotia plant would tap more Livestock than an Island Plant.

(b) Population figures for Nova Scotia outweigh Island figures very materially.

(c) There are two Plants in New Brunswick, and one on the Island, but non[e] in Nova Scotia. If we do not build in Nova Scotia, it is altogether likely that the Nova Scotia Government will either subsidize a competitor or help finance Halifax to erect a civic abattoir.

(d) In the event that we are successful in drying up the Davis and Fraser people, we would conceivably have a plant in both Provinces.

(e) If we build in Prince Edward Island, we will have to split the Hogs with two competitors, but in Nova Scotia and lower New Brunswick we would get them all and we could still buy enough Hogs in Prince Edward Island to force both Swifts and Davis and Fraser to pay a long price.

. . . "

(EKB 1701-1704R)

Mr. W.F. McLean did not regard the expressions used in the foregoing letter with respect to competitors as indicating more than active competition. His evidence was as follows:

" BY MR. DAVIDSON:

. . .

Q. Well, I am wondering whether this reflects Canada Packers' operating policy in the Maritimes at the time. I am taking it that the words used here mean something more than is ordinarily meant by competition?

A. Well, this is the point on which we differ with respect to this exhibit, then.

Q. I see. Your view, then, is that these words refer to ordinary competition?

A. That is correct. My view is, after having had some experience in the meat packing business, that the intensity of the competition and, on occasions, the immoderation of the language used -- in the light of those considerations, this letter is not unusual. This letter indicates nothing out of the way. It indicates nothing to me but ordinary competition.

Q. You would say that piece about the last quotation, where reference is made to forcing both Swifts and Davis and Fraser to pay a long price---

A. Yes, I would, indeed. Let me point out that this is presupposing that we had located in Nova Scotia or lower New Brunswick.

Now, if we can force Davis and Fraser and Swift to pay what is referred to here as a long price, by buying hogs on the Island to take to a plant in lower New Brunswick or Nova Scotia for killing, Davis and Fraser can turn around and do exactly the same thing to us, by buying hogs in Nova Scotia or lower New Brunswick and taking them to Charlottetown for killing.

My interpretation of that is that what it means is that if we located down there that we would be able to buy hogs on the Island sufficiently economically, from the freight point of view, so that we can be sure that Davis and Fraser in Charlottetown are not getting the hogs much cheaper than we would be in Nova Scotia and New Brunswick."

(Hearing, pp. 720-21)

The following information about the acquisition of Davis & Fraser Limited was given in Canada Packers' Return of Information dated October 12, 1956:

"This company had been operating a meat packing plant at Charlottetown with a branch at Halifax used as a small wholesale outlet. The plant had been closed for some time due to a fire which destroyed a large part of it. Canada Packers, as of January, 1947, acquired the physical assets of the company, and rebuilt and enlarged the plant at Charlottetown which is now used for meat packing purposes. The branch in Halifax is now used for the wholesaling of fruit and vegetables. The Charlottetown plant was acquired to give Canada Packers facilities for the purchase and slaughter of Prince Edward Island Livestock. . . . The management and staff were re-employed by Canada Packers."

In March 1956 Mr. A.J.E. Child, then Vice-President and Treasurer of Canada Packers, submitted a memorandum to the Company's Board of Directors which contained the following:

"The attached long-term financial forecast is the first attempt we have ever made to look very far into the future. Even this forecast goes only to the end of fiscal 1958. . . .

. . .

The most important item is the projected expenditure for fixed assets. Based on figures supplied by Dr. G.F. Clark, we are showing an addition of $6, 000, 000. in 1957 and $5, 000, 000. in 1958. Over these two years we are also allowing $2, 000, 000. for investment in new subsidiaries, even though none is in sight. . . .

. . ."

(EKB 532A-534B)

With respect to the amount of $2, 000, 000 mentioned in the foregoing extract, Mr. W.F. McLean said in evidence:

" THE WITNESS:

I am bound to say that I think Dr. Clark probably put that $2 million in the capital budget, and at my instigation, in order to be on the conservative side in the forecasting of cash requirements."

(Hearing, p. 653)

In regard to the policy of Canada Packers toward acquisitions Mr. McLean said:

"Q. Then, what do you say as to whether it is the company's policy to look to further acquisitions as foundations for your growth?

A. No, certainly not. By that I do not wish to indicate that if a company is available or a business is available, and at an attractive price, and which we think we can operate well, that we will refuse to look at it.

Q. You are not suggesting that?

A. No, but certainly there is no policy of Canada Packers to make acquisitions the foundation of our growth."

(Hearing, p. 650)

4. Relative Size of National Packers

In addition to furnishing the Commission with data relating to its own operations Canada Packers provided its best estimates of the weekly kill of a number of other firms engaged in the slaughtering of livestock, including the other two national packers. Figures of the weekly kill of each of the plants of Canada Packers have been given already. The totals for all plants of Canada Packers and its subsidiaries and individual figures for plants of the other two national packers are given in Table 13:

Table 13

Estimated Weekly Kill of National Packers, 1959

Firm	Plant Location	Estimated Weekly Kill Cattle	Hogs
Total, Canada Packers Limited and subsidiaries		12,210	47,050
Swift Canadian Co. Limited	Moncton	260	1,965
	Toronto	900	5,500
	St. Boniface	1,700	5,300
	Edmonton	1,330	8,690
	Vancouver	370	2,035
Union Packing Co.[a]	Calgary	800	3,675
	TOTAL	5,360	27,165
Burns & Co. Limited	Kitchener	700	4,300
	Winnipeg	995	2,850
	Prince Albert	285	3,160
	Regina	300	1,115
	Calgary	995	3,600
	Edmonton	715	3,725
	Vancouver	410	1,605
Dominion Packers Limited[b]	Montreal	125	4,130
	TOTAL	4,525	24,485

(a) Acquired by Swift Canadian Co. Limited in 1946.

(b) Acquired by Burns & Co. Limited in 1955.

(Exhibit H-12)

On the basis of these estimates the weekly kill of cattle in all plants of Canada Packers exceeded the combined figures for Swift Canadian Co. Limited and Burns & Co. Limited by about 25 per cent. In the case of hogs, the weekly kill of Canada Packers' plants was somewhat below the combined figures of the other two national packers.

CHAPTER V

THE SLAUGHTERING AND MEAT PACKING INDUSTRY

1. Structure of the Industry

The slaughtering and meat packing industry is composed of a variety of firms in terms of scale and nature of operations. According to the evidence of Dr. G.F. Clark a meat packing plant is one which provides both for the slaughtering and processing of meat or what would be regarded as an integrated plant (Hearing, pp.61-62).

As classified in exhibits filed by Canada Packers, slaughtering and meat packing establishments fall into the following categories:

(1) Inspected Slaughterers.

These operate in establishments which are subject to government inspection under the Health of Animals Branch of the Department of Agriculture. Only inspected slaughterers may sell meat to an inspected processor or ship meat outside the province in which it is produced. This group may be further divided into:

(a) 3 national packers operating 27 plants,
(b) 26 other firms operating 29 plants,
(c) 73 firms who do not operate their own slaughtering establishments but who have slaughtering done on a custom basis in 4 public abattoirs or in inspected plants operated by other slaughterers.

Note: 48 of the 56 plants in (a) and (b) are also processing plants operated by 20 firms.

(2) Uninspected Slaughterers.

This group comprises all slaughtering firms not subject to federal government inspection, other than farmers slaughtering their own animals for sale. The actual

number in this category is not ascertainable but Canada Packers made a survey through their branch offices and secured the names of 2, 047 operators who were so classified. In this total are 64 firms which while not subject to government inspection have government grading of hogs which they slaughter. According to Dr G.F. Clark the uninspected slaughterers are mainly located in centres of sparse population (Hearing, p. 89) and, as will be shown later, the great majority must operate on a very small scale. Included in this group are 132 uninspected slaughterers who also process meat. Local sausage makers would fall in this class.

(3) Inspected Processors.

In addition to the integrated packers referred to above there are 58 single plant firms who process but do not slaughter livestock. As they are subject to federal inspection they may secure their supplies of fresh meat only from inspected slaughterers. Processed products include those which are cooked, smoked, pickled, canned or otherwise processed.

(4) Uninspected Processors.

These are chiefly processors of fresh sausage, weiners, bologna and cooked meats who do no slaughtering. Canada Packers listed 189 firms in this group.

(5) Fresh Meat Wholesalers.

This group consists of firms which purchase fresh meat and also sell it in fresh form after putting it into cuts suitable for their customers. The total number in this class is not known but 10 firms in Montreal who secure supplies of fresh meat from other provinces, particularly in Western Canada, have federal government inspection.

(Exhibit H-10; Hearing, pp. 90-120)

Table 14, prepared by Canada Packers on the basis of government data and the Company's own survey, shows the distribution of slaughtering and processing firms by provinces in each of the classes described above.

Table 14

Firms Slaughtering and Processing Livestock in Canada, 1959

	(1) Firms Owning Inspected Establishments (a)		(2) Firms who do not own but Slaughter in Inspected Establishments (b)	(3) Total Firms Slaughtering in Inspected Establishments	(4) Firms Killing Hogs having Grading Service but not Government Inspection	(5) Other Firms Slaughtering in Uninspected Establishments (c)	(6) Total Firms Slaughtering in Uninspected Establishments	(7) Total Firms Slaughtering	(8) Inspected Processors and Wholesalers	(9) Uninspected Processors	(10) Total Processors and Wholesalers	(11) Total Firms Slaughtering and Processing
	No. of Firms	No. of Estab.	No. of Firms	No. of Firms	No. of Firms	No. of Firms	No. of Firms	No. of Firms	No. of Firms	No. of Firms	No. of Firms	No. of Firms
P.E. Island	1	1	-	1	-	38	38	39	4	-	4	43
Nova Scotia	1	1	-	1	-	152	152	153	-	10	10	163
New Brunswick	2	2	3	5	2	122	124	129	-	8	8	137
Quebec	4	9	33	37	43	886	929	966	32	50	82	1,048
Ontario	20	21	17	37	16	328	344	381	21	63	84	465
Manitoba	4	4	14	18	-	60	60	78	2	10	12	90
Saskatchewan	4	6	3	7	-	126	126	133	-	4	4	137
Alberta	5	8	-	5	2	192	194	199	2	29	31	230
British Columbia	4	4	3	7	1	79	80	87	7	15	22	109
Total for Canada	29	56	73	102	64	1,983	2,047	2,149	68	189	257	2,406

(a) Four public abattoirs not included.

(b) Canada Packers Limited Survey. True figure possibly greater.

(c) Includes all firms whether they own plants or use plants owned by others. No data available to differentiate.

Sources: Inspected Slaughterers and Processors: Health of Animals Division, Canada Department of Agriculture list of plants operating under the Meat Inspection Act and Regulations.

Uninspected Slaughterers: D.B.S. Agriculture Division survey list.

Uninspected Processors and Custom Slaughterers: Canada Packers Limited survey

Column 3 = 1 + 2

Column 6 = 4 + 5

Column 7 = 3 + 6

Column 10 = 8 + 9

Column 11 = 7 + 10

(Exhibit H-11)

2. Statistics of Livestock Slaughtering

Statistics of livestock slaughtering are available on a current basis only with respect to inspected slaughtering and such statistics are used by meat packing firms and others as indicators of the level of marketings and of the shares held by individual firms. The Dominion Bureau of Statistics publishes on an annual basis statistics of slaughtering and processing firms from whom reports are received. According to the survey made by Canada Packers the firms reporting in 1957 did not include the following:

1 firm operating 1 inspected establishment for slaughtering only.
2 firms operating 2 inspected establishments for slaughtering and processing.
29 firms operating 31 inspected establishments for various kinds of processing (19 processing, 12 canned meats only).
1,850 or more firms operating uninspected slaughter establishments.
250 or more firms operating uninspected processing plants.

(Exhibit H-61)

It was the opinion of Dr. G.F. Clark that all of the large slaughtering firms are included in the Dominion Bureau of Statistics Census of Industry but not all of the large processing firms who do not slaughter (Hearing, p. 307).

The Dominion Bureau of Statistics in co-operation with the Federal Department of Agriculture prepares annually estimates of the total slaughter of livestock, including slaughter by uninspected slaughterers and farm slaughter. These estimates were relied on by Canada Packers to arrive at figures for the total commercial slaughter in Canada. The term "total commercial slaughter" as used by Canada Packers was defined by Dr. G.F. Clark as follows:

> "Commercial slaughter in Canada is defined as the sum of inspected and uninspected slaughter and farm slaughter sold on the commercial market."

(Hearing, p. 367)

The figures for inspected slaughter, estimated total slaughter, and total commercial slaughter are shown in Table 15.

Table 15

Inspected Slaughter, Estimated Total Slaughter and Estimated Total Commercial Slaughter in Canada, 1941-60

(000's Head)

Year	Inspected Slaughter	Estimated Total Slaughter	Inspected Slaughter as Percentage of Total Slaughter	Estimated Total Commercial Slaughter [a]
		Cattle		
1941	1,004	1,516	66.2	1,378.3
1942	970	1,526	63.6	1,392.3
1943	1,021	1,612	63.3	1,491.7
1944	1,354	1,872	72.3	1,730.1
1945	1,819	2,401	75.8	2,213.5
1946	1,668	2,216	75.3	2,050.5
1947	1,292	1,944	66.5	1,770.4
1948	1,490	1,939	76.8	1,797.8
1949	1,439	1,843	78.1	1,728.1
1950	1,285	1,674	76.8	1,569.1
1951	1,150	1,592	72.2	1,510.1
1952	1,238	1,719	72.0	1,626.0
1953	1,469	2,005	73.3	1,883.1
1954	1,635	2,222	73.6	2,078.2
1955	1,702	2,271	74.9	2,127.3
1956	1,874	2,441	76.8	2,297.1
1957	1,986	2,603	76.3	2,443.9
1958	1,889	(b)		(b)
1959	1,744	(b)		(b)
1960	1,942	(b)		(b)
		Calves		
1941	719	1,308	55.0	1,243.6
1942	667	1,328	50.2	1,264.4
1943	594	1,220	48.7	1,163.6
1944	661	1,250	52.9	1,183.8
1945	788	1,428	55.2	1,349.5
1946	752	1,334	56.4	1,261.9
1947	665	1,287	51.3	1,201.8
1948	787	1,362	57.8	1,267.4
1949	766	1,285	59.6	1,205.2
1950	773	1,282	60.3	1,222.7
1951	584	1,040	56.2	994.2
1952	568	969	58.6	908.6
1953	741	1,165	63.6	1,093.2
1954	821	1,255	65.4	1,165.1
1955	829	1,295	64.0	1,196.6
1956	892	1,337	66.7	1,243.5
1957	887	1,381	64.2	1,283.8
1958	785	(b)		(b)
1959	677	(b)		(b)
1960	712	(b)		(b)

Table 15 (continued)

Year	Inspected Slaughter	Estimated Total Slaughter	Inspected Slaughter as Percentage of Total Slaughter	Estimated Total Commercial Slaughter [(a)]
		Sheep and Lambs		
1941	829	1,170	70.9	1,120.1
1942	825	1,186	69.6	1,132.7
1943	889	1,226	72.5	1,174.2
1944	959	1,267	75.7	1,208.4
1945	1,185	1,477	80.2	1,411.1
1946	1,213	1,413	85.9	1,356.1
1947	901	1,326	68.0	1,263.7
1948	769	1,031	74.6	979.6
1949	630	877	71.8	836.3
1950	521	742	70.2	710.5
1951	439	584	75.2	565.2
1952	513	674	76.1	651.9
1953	543	693	78.4	671.2
1954	563	721	78.1	698.2
1955	592	755	78.4	731.0
1956	600	762	78.7	738.6
1957	582	767	75.9	745.0
1958	549	(b)		(b)
1959	570	(b)		(b)
1960	563	(b)		(b)
		Hogs		
1941	6,280	9,116	68.9	8,395.8
1942	6,197	9,695	63.9	8,952.1
1943	7,169	10,426	68.8	9,672.8
1944	8,766	11,512	76.2	10,769.6
1945	5,682	8,709	65.2	8,003.9
1946	4,253	6,856	62.0	6,202.6
1947	4,453	7,394	60.2	6,769.7
1948	4,488	6,694	67.1	6,111.0
1949	4,099	6,466	63.4	5,980.1
1950	4,405	6,793	64.9	6,285.3
1951	4,488	6,753	66.5	6,222.0
1952	6,234	8,057	77.4	7,521.4
1953	4,611	6,198	74.4	5,770.4
1954	4,679	6,144	76.2	5,818.1
1955	5,544	6,932	80.0	6,601.4
1956	5,548	6,899	80.4	6,600.7
1957	4,972	6,516	76.3	6,158.4
1958	5,964	(b)		(b)
1959	8,021	(b)		(b)
1960	6,182	(b)		(b)

(a) Total commercial slaughter derived from total farm output of livestock, plus imported animals for slaughter, less exported animals (live), and less farm slaughter for farm use.

(b) Not available.

Sources: Dominion Bureau of Statistics, Livestock and Animal Products Statistics, and Exhibits H-44, H-45, H-46, H-47, H-70.

Figures for estimated total commercial slaughter were furnished to the Commission by Canada Packers on a provincial basis (the Maritime Provinces being grouped) (Exhibits H-55 to H-58), and by subtracting the figures for inspected slaughter it is possible to arrive at the estimated commercial slaughter by uninspected establishments. The detailed tables are included in the Appendix.[1] Assuming that the number of inspected and uninspected establishments did not increase between 1955 and the time of the survey made by Canada Packers, the average weekly kill per establishment may be derived by dividing the average weekly number of killings calculated from the totals mentioned above by the number of establishments in each category. In the case of inspected establishments and establishments which have government grading the averages so derived may be compared with the estimates made by Canada Packers. These are given in Table 16.

Table 16

Average Weekly Killings, Inspected and Uninspected Slaughterers, 1955 and 1959

	Inspected Establishments		Uninspected Establishments with Hog Grading	Other Uninspected Establishments
	1955	1959	1959	1955
Cattle				
Maritimes	71	86	-	3
Quebec	114	150	-	2
Ontario	310	412	-	9
Manitoba	347	737	-	2
Saskatchewan	154	272	-	4
Alberta	728	991	-	3
British Columbia	313	279	-	6
Canada	254	372	-	4
Hogs				
Maritimes	354	638	68	5
Quebec	488	1,273	144	10
Ontario	849	3,321	236	20
Manitoba	811	2,093	-	6
Saskatchewan	656	1,715	-	7
Alberta	3,014	4,479	125	4
British Columbia	964	1,619	100	6
Canada	826	2,171	163	10

Sources: Exhibits H-55, H-56, H-57, H-58, H-11, H-12, H-14; Dominion Bureau of Statistics, Livestock and Animal Products Statistics.

1 Tables I and II.

It must be admitted that the figures for 1955 in the above table are necessarily approximations derived from estimates. However, in view of the estimates made by Canada Packers for 1959 for inspected plants and those with hog grading it would appear that the averages for uninspected establishments do not misrepresent the situation with respect to the small slaughterers.

A great deal of statistical material was put before the Commission by Canada Packers in support of the submission that the meat packing operations of the Company should be considered in relation to the total commercial slaughter of livestock and total commercial production of meat rather than in relation to the operations of inspected plants or in relation to those firms reporting to the Dominion Bureau of Statistics.

The evidence given on behalf of Canada Packers showed that large packing plants were located in centres of large population and, with few exceptions, also in areas of substantial livestock production. The distribution of the population of Canada was shown as follows:

45 per cent in 20 metropolitan areas of over 100, 000 population,
20 per cent in cities between 10, 000 and 100, 000,
20 per cent in 1, 800 cities, towns and villages under 10, 000,
15 per cent on farms.

The relation of the distribution of population to the meat packing industry was described by Dr. G.F. Clark as follows:

"A. Well, we have only a few very large markets for meat and meat products. Then, we have a lot of small markets which are scattered across the country. It is likely, then, under those circumstances that in a few large markets there [they] will be mainly served by large plants.

Q. Located so as to serve those markets?

A. Yes, located so as to serve those markets. And then, a number of small plants, local plants, serving local populations.

Q. Yes?

A. Because in Canada there is -- well, near every centre of population, except these major centres that we have talked about -- there is sufficient local livestock to serve the market that is there. This is a fact. So that these local slaughterers serve the market, and the

competition they will get will be from these larger centre plants, providing transportation as fast as they can move in and compete on the local markets."

(Hearing, p. 74)

Dr. Clark gave as an illustration the relative costs of a meat packing plant operating in Toronto killing 700 cattle per week and another in a smaller centre about 100 miles away killing 50 cattle a week, both plants buying cattle at the smaller centre. The breakdown of costs in this hypothetical situation was estimated by Dr. Clark as follows:

	Toronto	Small Centre 100 miles from Toronto
Cost of transporting cattle to plant, per head	$6.00	$1.50
Cost of transporting meat to small centre (equivalent per head)	5.00	1.50
Slaughtering costs, per head	7.00 - 9.00	15.00 - 21.00
	$18.00 - 20.00	$18.00 - 24.00

(Hearing, pp. 77-79)

In addition, the larger plant will be able to utilize by-products more profitably and this will give it a considerable advantage in relation to the small slaughterer (Hearing, p. 79).

Dr. Clark also gave the following evidence:

" BY MR. DAVIDSON:

. . .

Q. According to my notes, Dr. Clark, you indicated that uninspected slaughterers locate in areas of sparse population, generally, where their transportation advantage permits them to operate. Did I understand you correctly?

A. Yes, I think that is what I said, that uninspected slaughterers, because they operate on a local market, necessarily have only a small market to serve. They cannot afford a mechanized plant which would give them economies

of scale, and which favour the central location; and that therefore the uninspected slaughterers are generally in areas which are removed from these centres, these important centres of population which we talk about.

Q. Does it follow, then, that in fact, these uninspected slaughterers offer little or no competition in the larger centres?

A. I would think that the uninspected slaughterers are unable to ship their products into the major centres because of the fact that they cannot operate as cheaply as the larger plants."

(Hearing, pp. 403-04)

The Commission was also furnished by Canada Packers with the names of slaughtering firms known to the Company to be selling fresh beef in the Toronto-Hamilton-Oshawa metropolitan area and the estimated volume of weekly sales of each firm in number of carcasses in this area. In addition to Canada Packers' plants, the names of 30 firms slaughtering in inspected establishments and 13 firms slaughtering in uninspected establishments were furnished and estimates of weekly sales volume were given for 25 of the former and 10 of the latter. On the basis of these estimates the supply of fresh beef to the Toronto-Hamilton-Oshawa area was shared the following way:

Canada Packers	28.5 per cent
Swift and Burns	11.5 per cent
4 inspected slaughterers with a volume of 250 or more carcasses a week	26.0 per cent
5 inspected slaughterers with a volume between 150 and 250 carcasses a week	14.5 per cent
13 other inspected slaughterers	14.0 per cent
10 uninspected slaughterers	5.5 per cent

(Exhibit H-13 and Hearing, pp. 464-68)

The foregoing estimates support the opinion of Dr. Clark that the supply of meat in larger centres of population is furnished to a very large extent by inspected slaughterers. As indicated, the estimates of sales volume were based on deliveries in the metropolitan area and not the total production unless this was believed to be sold entirely in the metropolitan area. If the estimates of sales volume

are related to production it appears that almost 60 per cent of the estimated sales were made by 5 firms from plants having a weekly kill of 600 or more cattle, as shown below:

	Estimated Sales in Metropolitan Toronto (beef carcasses)	Weekly Kill of Cattle (number of head)
Canada Packers (Toronto, Peterborough and F. Hunnisett)	1,875	4,605
Swift	600	900
Burns (Kitchener)	150	700
Prime Packers	600	710
Canadian Dressed Meats	600	675
Estimated total sales of beef in Toronto-Hamilton-Oshawa area	6,575	

(Exhibit H-13, Hearing, pp.464-68)

3. Concentration in the Meat Packing Industry

Among the measures used by the Director to examine the degree of concentration in the slaughtering and meat packing industry were the proportions of inspected slaughtering and of output recorded in the Census of Industry reports of the Dominion Bureau of Statistics which were accounted for by Canada Packers and the other national packers. These measures were objected to by Canada Packers on the ground, first, that inspected slaughter did not constitute the total commercial slaughter in Canada and that the proportion which inspected slaughter formed of the total varied from year to year and from one class of livestock to another. The use of Dominion Bureau of Statistics Census of Industry figures was also questioned for the same reasons, namely that not all commercial firms reported to the Dominion Bureau of Statistics and that the coverage of the industry varied from year to year and from one product to another. Table 15, presented earlier, shows for the period since 1941 the proportion which inspected slaughter has formed of the estimated total slaughter in each year. It will be seen that the tendency has been for inspected slaughter to form an increasing proportion of total slaughter. This tendency has been attributed to an increase in the number of inspected plants and to the fact that growth of population has been greater in urban centres so that the consumption of meat is becoming more highly concentrated in such centres.

From the statistics given earlier as to the average size of inspected and uninspected plants it is apparent that a great many

uninspected establishments operate on an extremely small scale and it is questionable whether in many cases their output enters the same markets as those served by meat packing plants. It seems proper to consider, therefore, that while the figures for inspected slaughter and the Dominion Bureau of Statistics figures for the slaughtering and meat packing industry do not cover the entire output in the markets served by the national meat packers the proper totals are somewhat less than the estimated total commercial slaughter and total commercial production of meat. If these qualifications are kept in mind the available statistical series will serve as useful guides if not as definitive measurements.

The following table, which was presented in the Statement of Evidence, is based on a special tabulation of firms reporting to the Dominion Bureau of Statistics. The Director pointed out that the relative importance of firms who slaughter on a custom basis for others would be somewhat overstated as custom slaughter is included with slaughter on own account.

Table 17

Number of the Largest Firms Required to Account for Various Percentages of Total Slaughterings

Percent of Total Slaughterings	1945	1950	1954
	of Cattle		
40	2	2	2
50	2	2	2
60	3	3	3
70	3	4	6
80	8	9	11
100	132	133	130
	of Calves		
40	2	2	2
50	2	3	3
60	4	3	4
70	6	5	6
80	11	7	9
100(a)	132	133	130
	of Hogs		
40	2	2	2
50	3	3	3
60	3	4	4
70	6	7	8
80	11	12	13
100	132	133	130
	of Sheep and Lambs		
40	1	1	1
50	2	2	2
60	2	2	2
70	3	3	3
80	5	5	5
100	132	133	130

(a) Not all of the 130-133 firms in the industry are engaged in slaughtering calves.

Source: Special Dominion Bureau of Statistics memorandum on the size-distribution of firms in the slaughtering and meat packing industry, 1957.

As, according to the evidence, all the large slaughterers report to the Dominion Bureau of Statistics their figures would be included in the above table while a great many small slaughterers would not be included. From figures submitted by Canada Packers, details of which are given in the Appendix[1], the total killings reported to the Dominion Bureau of Statistics formed the following proportions of total commercial slaughter in the years specified.

Table 18

Percentages Which Killings of Firms Reporting to Dominion Bureau of Statistics Formed of Total Commercial Slaughter, 1945, 1950, 1954

	1945	1950	1954
Cattle	85.3	83.4	81.5
Calves	61.5	65.6	71.5
Hogs	75.4	76.0	86.0
Sheep and Lambs	82.2	74.1	81.3

Source: Exhibit H-62.

Among the measures of concentration in the slaughtering and meat packing industry presented in the Statement of Evidence is a comparison of firms on the basis of sales. The following comments on the preparation of the table are given:

> "At the request of the Director, the Dominion Bureau of Statistics, Industry and Merchandising Division prepared a special tabulation of the size distribution of firms in the slaughtering and meat-packing industry. This material was prepared from returns made annually by all firms to the Bureau. In order to comply with the provisions of the Statistics Act relating to disclosure, permission was obtained from Canada Packers Limited, Swift Canadian Co. Limited and Burns & Co. Limited for the release to the Director of

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1 Table III.

information relating to these companies or their subsidiaries.

The following table refers to average sales per firm. It should be noted that there is some duplication in the returns made to the Bureau by firms in the industry, relating to sales, because products which are purchased for resale by one packer from another may be counted equally with the sales of products actually processed. In addition, some duplication arises out of sales between plants of the same firm. This would tend to exaggerate somewhat the relative importance of the three national packers. On the other hand, as will be seen later in this Statement it is the three national packers which are pre-eminent in diversification and these other activities are not included in the Statistics on the slaughtering and meat-packing industry. Since these other activities reach such very large proportions, the table considerably understates the overall sales position of the national packers. It should be noted in connection with the table that the significant mergers with which this Statement is concerned occurred following 1954."

(Statement, p. 48)

Table 19

Slaughtering and Meat Packing Industry, Number of Firms and Average Sales per Firm, Representative Years

Value of Sales in Millions	1939 No.	1939 Average	1945 No.	1945 Average	1950 No.	1950 Average	1952 No.	1952 Average	1953 No.	1953 Average	1954 No.	1954 Average
0- 2	118	306, 991	103	368, 932	98	458, 345	92	536, 321	92	550, 538	90	544, 444
2- 5	10	2, 809, 435	17	3, 123, 530	21	3, 498, 335	16	6, 466, 375	13	3, 577, 000	15	3, 333, 333
5- 8	0	-	6	6, 640, 000	6	6, 916, 667	7	6, 539, 432	8	5, 881, 625	10	6, 432, 300
8- 15	1 W	8, 402, 791	4	10, 123, 000	6	10, 670, 333	11	10, 892, 560	9	11, 166, 000	6	11, 210, 500
15- 25	1 B	18, 097, 819	0	-	3	16, 323, 666	3	(25, 063, 684	3	16, 930, 000	4	16, 978, 250
25- 50	1 S	29, 988, 341	0	-	1 W	35, 265, 073			1 W	34, 410, 679	1 W	30, 015, 810
50-100	1 C	64, 434, 841	2 BS	88, 000, 000	1 B	83, 950, 000	1 B	99, 643, 000	1 B	94, 893, 000	1 B	92, 076, 000
100-400	0	-	1 C	153, 804, 858	2 CS	182, 762, 815	2 CS	209, 312, 000	2 CS	201, 206, 000	2 CS	208, 315, 000
	132		133		138		132		129		129	

B - Burns;

C - Canada Packers;

S - Swift;

W - Wilsil.

As previously indicated, the submission of Canada Packers was that a great many small slaughterers and a number of processors have not been included in the industry figures collected by the Dominion Bureau of Statistics. If figures for such firms had been obtained and included in the above table the effect would have been to increase the numbers shown in the lowest size group and to decrease the average sales per firm in such grouping. It should be borne in mind, as stated in the extract from the Statement of Evidence quoted above, that the sales figures shown for individual firms represent only sales reported in connection with slaughtering and meat packing.

4. Relative Position of Canada Packers

The foregoing review of statistical information submitted in the inquiry makes clear that no precise measurement can be made of the position of an individual firm or of a class of firms in the slaughtering and meat packing industry. From the different statistical series a general indication of market position may be obtained but in each case the qualifications applicable to the particular statistical series must be kept in mind.

The relative shares of inspected slaughter and total commercial slaughter which are accounted for by killings of Canada Packers are shown in Table 20.

Table 20

Canada Packers Limited - Share of Inspected Slaughter
and of Total Commercial Slaughter,
1941-57

(000's Head)

Year	Type of Livestock	Canada Packers' Kill	Total Inspected Slaughter	Estimated Total Commercial Slaughter[b]	Percentage Canada Packers: Inspected Slaughter	Percentage Canada Packers: Commercial Slaughter
	Cattle					
1941		410	1,004	1,378.3	40.8	29.7
1942		364	970	1,392.3	37.5	26.2
1943		368	1,021	1,491.7	36.0	24.7
1944		548	1,354	1,730.1	40.5	31.6
1945		678	1,819	2,213.5	37.3	30.7
1946		554	1,668	2,050.5	33.2	27.0
1947		386	1,292	1,770.4	29.9	21.8
1948		562	1,490	1,797.8	37.7	31.2
1949		528	1,439	1,728.1	36.7	30.5
1950		463	1,285	1,569.1	36.0	29.4
1951		405	1,150	1,510.1	35.2	26.8
1952		448	1,238	1,626.0	36.2	25.9
1953		504	1,469	1,883.1	34.3	26.7
1954		564	1,635	2,078.2	34.5	27.1
1955[a]		667	1,702	2,127.3	39.2	30.9
1956		707	1,874	2,297.1	37.7	30.8
1957		738	1,986	2,443.9	37.1	30.2
	Calves					
1941		304	719	1,243.6	42.3	24.4
1942		263	667	1,264.4	39.4	20.8
1943		222	594	1,163.6	37.4	19.1
1944		256	661	1,183.8	38.7	21.6
1945		308	788	1,349.5	39.1	22.8
1946		275	752	1,261.9	36.6	21.8
1947		223	665	1,201.8	33.5	18.5
1948		302	787	1,267.4	38.4	23.8
1949		299	766	1,205.2	39.0	24.7
1950		301	773	1,222.7	38.9	24.5
1951		218	584	994.2	37.3	21.9
1952		226	568	908.6	39.8	24.7
1953		281	741	1,093.2	37.9	25.6
1954		286	821	1,165.1	34.8	24.6
1955[a]		352	829	1,196.6	42.5	29.3
1956		363	892	1,243.5	40.1	29.2
1957		348	887	1,283.8	39.2	27.1

Table 20 (continued)

Year	Type of Livestock	Canada Packers' Kill	Total Inspected Slaughter	Estimated Total Commercial Slaughter(b)	Percentage Canada Packers Inspected Slaughter	Percentage Canada Packers Commercial Slaughter
	Sheep and Lambs					
1941		351	829	1,120.1	42.3	31.4
1942		341	825	1,132.7	41.3	30.1
1943		380	889	1,174.2	42.7	32.4
1944		413	959	1,208.4	43.1	34.1
1945		503	1,185	1,411.1	42.4	35.7
1946		477	1,213	1,356.1	39.3	35.1
1947		347	901	1,263.7	38.5	26.7
1948		321	769	979.6	41.7	32.2
1949		282	630	836.3	44.8	33.3
1950		249	521	710.5	47.8	34.8
1951		194	439	565.2	44.2	34.3
1952		249	513	651.9	48.5	37.9
1953		251	543	671.2	46.2	37.0
1954		245	563	698.2	43.5	35.5
1955(a)		258	592	731.0	43.6	35.7
1956		276	600	738.6	46.1	37.4
1957		270	582	745.0	46.4	36.3
	Hogs					
1941		1,806	6,280	8,395.8	28.8	21.5
1942		1,736	6,197	8,952.1	28.0	19.4
1943		2,054	7,169	9,672.8	28.7	21.2
1944		2,537	8,766	10,769.6	28.9	23.6
1945		1,377	5,682	8,003.9	24.2	16.6
1946		1,158	4,253	6,202.6	27.2	18.2
1947		1,232	4,453	6,769.7	27.7	18.1
1948		1,355	4,488	6,111.0	30.2	22.1
1949		1,323	4,099	5,980.1	32.3	22.0
1950		1,449	4,405	6,285.3	32.9	23.0
1951		1,476	4,488	6,222.0	32.9	23.7
1952		2,143	6,234	7,521.4	34.4	28.4
1953		1,378	4,611	5,770.4	29.9	23.7
1954		1,347	4,679	5,818.1	28.8	23.1
1955(a)		1,782	5,544	6,601.4	32.1	27.0
1956		1,760	5,548	6,600.7	31.7	26.7
1957		1,522	4,972	6,158.4	30.6	24.7

(a) Figures for Wilsil Limited and Calgary Packers Limited are included from this point on.

(b) Total commercial slaughter derived from total farm output of livestock, plus imported animals for slaughter, less exported animals (live), and less farm slaughter for farm use.

Sources: Dominion Bureau of Statistics, Canada Year Book; Returns of Information of Canada Packers, and Exhibits H-44, H-45, H-46, H-47, H-70.

The proportions of the kills accounted for by plants of Canada Packers do not show any consistent trends for the entire period covered by Table 20, but shifts during a limited number of years take place in the percentages. Between 1948 and 1954 the Canada Packers share of inspected cattle slaughter shows some decline, although the movement is not exactly the same for the series based on estimated commercial slaughter. In the case of hogs, the downward movement in proportions of kill is paralleled in both series. For all classes of livestock the acquisition of Wilsil and Calgary Packers increased the shares of Canada Packers in 1955 but the percentages tended to decline thereafter in the case of cattle, calves and hogs.

Canada Packers estimated the total commercial production of red meats (beef, veal, mutton and lamb, and pork) on the basis of the estimated slaughter figures by using average cold dressed weights from Census of Industry returns or national averages and then calculating its share of such total. The total figures furnished the Commission are shown in Table 21. The breakdown of the totals is given in the Appendix.[1]

Table 21

Canada Packers Limited - Share of Total Red Meat Production (Beef, Veal, Mutton & Lamb, and Pork) 1939-57

Year	Total Commercial Production (thousand pounds)	Percentage - Canada Packers and Canadian Subsidiaries
1939	1,417,664(a)	24.4
1940	1,683,189(a)	24.6
1941	1,851,480	25.1
1942	2,013,863	22.4
1943	2,208,046	22.7
1944	2,439,606	26.7
1945	2,292,543	24.0
1946	1,976,424	24.2
1947	1,915,753	20.2
1948	1,801,474	27.0
1949	1,753,516	26.7
1950	1,701,054	26.3
1951	1,681,863	25.2
1952	1,910,515	27.4
1953	1,820,213	25.9
1954	1,914,490	25.7
1955	2,033,790	29.7
1956	2,123,325	29.4
1957	2,182,665	28.1

(a) Includes farm slaughter for farm use.
Source: Exhibit H-52.

1 Table IV.

Dr. G.F. Clark estimated that the total commercial production of red meats in Canada or total commercial slaughter would be divided as follows:

Canada Packers	28.1 per cent
Swift Canadian and Burns	25.1 per cent
Remaining 26 inspected slaughterers with own plants	17.5 per cent
73 slaughterers who have killing done on custom basis	9.5 per cent
2,047 uninspected slaughterers	15.7 per cent
farm slaughter for sale	4.1 per cent
	100.0 per cent

(Exhibit H-10; Hearing, pp.100-102)

As previously mentioned, Canada Packers furnished the Commission with estimates of the weekly kill in 1959 of inspected packers and of uninspected establishments which have government grading of hogs. The relative shares of Canada Packers, Swift and Burns on the basis of these estimates are shown in Table 22.

Table 22

Shares of Canada Packers Limited, Swift Canadian Co. Limited and Burns & Co. Limited of Estimated Weekly Kill of Inspected Slaughter and Graded Hogs, 1959

	Canada Packers %	Swift Canadian %	Burns %
Cattle, Inspected Slaughter	35.0	15.4	12.9
Hogs -			
Inspected Slaughter	31.5	18.1	16.3
Inspected and Graded Slaughter	29.4	16.9	15.3

Sources: Exhibits H-12, H-14.

As would be expected, the percentages in the case of Canada Packers are closer to those relating to inspected slaughter than to estimated total commercial slaughter.

Canada Packers' shares of inspected slaughter and estimated total commercial slaughter have also been calculated on a provincial basis by the Director with respect to inspected slaughter and by Canada Packers with respect to estimated total commercial slaughter. In the case of provincial figures, additional qualifications to those applying in the case of national figures should be noted. In addition to the distinction between inspected slaughter and total commercial slaughter which has been emphasized previously, Dr. G.F. Clark mentioned the following additional aspects in his evidence (Hearing, pp.371-72):

(a) Provincial figures of the slaughter are indication of production of meat within a province but not of the supply of meat or of the marketing of livestock.

(b) Livestock are moved in and out of provinces for slaughter.

(c) Meats are also moved in and out of provinces for sale.

(d) There are no figures available to measure the position of any packer as a buyer of livestock in a region or as the seller of meats and meat products in a region.

Canada Packers provided estimates of the share of beef which it supplied in each province on the basis of the national average of per capita beef consumption. These estimates of shares of provincial consumption were not regarded as at all accurate because available information indicates that per capita consumption of beef is not uniform across Canada (Hearing, p. 296). The data are of some significance in showing the extent to which the Montreal market is supplied by Canada Packers' plants outside Montreal.

Table 23

Canada Packers Limited - Share of Beef
Consumed per Capita in Canada,
by Provinces, 1959

Province	Canada Packers Limited - Beef Sales [(a)]	Population	Canada Packers Limited - Sales per Capita	Percentage of 64.4 Pounds per Capita Consumed in Canada in 1959
	(000's lbs.)	(000's)	(pounds)	
British Columbia	22,603	1,570	14.4	22.4
Alberta	18,527	1,243	14.9	23.1
Saskatchewan	3,945	902	4.4	6.8
Manitoba	14,940	885	16.9	26.2
Ontario	110,373	5,952	18.5	28.7
Quebec	123,657	4,999	24.7	38.4[(b)]
New Brunswick	8,162	590	13.8	21.4
Nova Scotia	12,475	716	17.4	27.0
P.E. Island	2,560	102	25.1	39.0
Newfoundland	8,153	449	18.2	28.3

(a) Includes boneless beef used in the cookroom.

(b) Share of Quebec sales per capita,

Canada Packers Limited, Montreal	56.4%
Canada Packers Limited, Hull	3.6
Wilsil Limited	11.5
Calgary Packers Limited	12.6
Canada Packers Limited, Toronto	10.7
Canada Packers Limited, Winnipeg	1.0
Canada Packers Limited, Charlottetown	.4
Frank Hunnisett Limited	3.8
	100.0%

Note: Shipments to Montreal plant sales area from other Canada Packers Limited plants appear with Canada Packers Limited Montreal volume.

Source: Canada Packers Limited accounting records.

(Exhibit H-59)

Canada Packers' shares of inspected slaughter and estimated commercial slaughter by provinces are shown in Table 24. Figures of quantities will be found in the Appendix, Tables I and II.

Table 24

Canada Packers Limited - Shares of Inspected Slaughter and Estimated Commercial Slaughter, by Provinces, 1950-57

Year	Type of Livestock	Maritimes Inspected Slaughter	Maritimes Commercial Slaughter	Quebec Inspected Slaughter	Quebec Commercial Slaughter	Ontario Inspected Slaughter	Ontario Commercial Slaughter
		%	%	%	%	%	%
	Cattle						
1950		21.7		36.0		50.7	
1951		33.3		35.8		48.3	
1952		30.0		34.1		53.4	
1953		34.6		32.9		46.9	
1954		38.5	10.9	31.1	20.5	46.0	36.1
1955		42.3	13.7	40.8	27.8	45.1	35.6
1956		35.5	13.3	38.5	26.4	43.1	34.9
1957		41.7	14.9	39.0	26.5	42.4	33.9
	Calves						
1950		4.5		41.7		56.1	
1951		7.7		38.0		55.7	
1952		16.7		40.6		56.8	
1953		11.8		39.0		54.2	
1954		17.6	7.3	33.4	23.2	52.5	37.8
1955		22.2	9.5	48.4	32.4	47.2	33.4
1956		26.1	12.9	46.5	31.8	45.8	33.8
1957		24.0	12.0	44.5	28.8	43.4	30.0
	Sheep and Lambs						
1950		24.2		48.9		62.5	
1951		17.6		43.7		58.5	
1952		37.5		52.4		65.0	
1953		37.5		45.2		62.9	
1954		33.3	12.0	41.9	36.6	58.8	49.9
1955		35.5	12.2	45.2	38.8	56.2	49.5
1956		36.4	12.8	54.2	46.2	58.7	49.9
1957		39.4	12.5	54.7	47.2	57.1	46.3
	Hogs						
1950		39.1	22.9	32.7	22.9	41.4	26.5
1951		38.9	23.1	32.4	21.9	41.4	28.4
1952		39.3	23.6	37.9	28.5	42.1	34.9
1953		46.5	23.6	33.5	22.1	37.7	29.0
1954		47.0	27.0	30.6	20.4	34.9	26.6
1955		49.6	30.8	42.6	29.2	33.3	27.5
1956		47.9	29.9	43.1	29.5	32.0	26.9
1957		43.5	27.5	43.3	27.2	30.3	24.0

Table 24 (continued)

Year	Type of Livestock	Manitoba Inspected Slaughter %	Manitoba Commercial Slaughter %	Saskatchewan Inspected Slaughter %	Saskatchewan Commercial Slaughter %
	Cattle				
1950		40.9		2.6	
1951		39.9		4.2	
1952		35.1		7.0	
1953		36.1		8.2	
1954		36.1	35.1	7.7	6.0
1955		36.9	36.1	9.7	7.5
1956		38.1	37.4	7.0	5.6
1957		38.7	38.0	6.5	5.1
	Calves				
1950		37.5		10.5	
1951		33.3		14.3	
1952		32.0		16.7	
1953		32.7		11.8	
1954		32.5	31.9	9.5	6.3
1955		33.3	32.6	11.8	7.0
1956		33.3	32.3	5.3	3.8
1957		34.5	33.6	4.8	4.7
	Sheep and Lambs				
1950		55.3		11.1	
1951		50.0		12.5	
1952		53.1		11.1	
1953		47.4		11.1	
1954		49.1	47.1	5.0	3.6
1955		42.6	41.4	2.9	1.7
1956		37.7	38.4	1.3	.9
1957		42.6	42.3	1.3	.8
	Hogs				
1950		36.7	31.7	2.1	1.3
1951		36.6	33.2	4.1	2.9
1952		38.3	37.0	3.5	2.9
1953		35.2	33.9	5.8	4.5
1954		35.6	33.9	5.7	4.5
1955		33.6	32.8	5.5	4.7
1956		33.5	32.9	4.8	4.1
1957		31.4	30.5	5.6	4.6

Table 24 (continued)

Year	Type of Livestock	Alberta Inspected Slaughter	Alberta Commercial Slaughter	British Columbia Inspected Slaughter	British Columbia Commercial Slaughter
		%	%	%	%
	Cattle				
1950		19.0		20.2	
1951		18.9		19.5	
1952		20.2		18.6	
1953		20.7		18.5	
1954		24.1	21.3	21.6	16.8
1955		39.9	33.0	25.4	20.9
1956		37.3	34.4	24.8	20.3
1957		37.4	34.0	22.0	17.8
	Calves				
1950		21.9		16.1	
1951		21.4		15.0	
1952		20.0		23.5	
1953		21.1		19.0	
1954		23.6	20.8	18.2	5.5
1955		30.3	26.1	22.7	7.3
1956		28.9	25.6	24.1	10.0
1957		31.2	26.9	25.0	8.9
	Sheep and Lambs				
1950		17.8		40.4	
1951		13.9		49.0	
1952		18.2		34.8	
1953		21.2		38.5	
1954		24.1	22.4	31.8	28.6
1955		30.8	28.9	28.0	25.6
1956		30.3	27.5	26.3	22.9
1957		34.3	30.4	25.6	22.8
	Hogs				
1950		24.3	19.0	14.9	13.1
1951		25.4	19.9	15.1	13.2
1952		22.9	20.8	20.0	17.7
1953		20.8	19.5	16.5	15.4
1954		21.1	20.4	18.8	17.6
1955		28.7	27.8	21.1	19.7
1956		28.9	27.6	20.2	18.7
1957		29.5	28.1	18.8	17.0

Sources: Exhibits H-47, H-55, H-56, H-57, H-58;
Department of Agriculture, Livestock Market Review.

As in the case of the total figures for Canada Packers, it is difficult to find definite trends on a provincial basis. It must be kept in mind that improvements in transportation and increases in freight rates have tended to make it more advantageous to carry on slaughtering operations as near to the sources of supply as possible, rather than ship live animals to distant slaughtering points. Development in this direction has had a marked influence at Montreal but it was indicated that it also had affected other markets, such as Vancouver, to some extent and might do so to a greater extent in the future (Hearing, p. 88).

CHAPTER VI

THE PRICING OF MEATS

1. Perishability of Meat

The perishability of meat is of fundamental importance in the determination of prices. About 95 per cent of the meat consumed in Canada is purchased either as fresh meat or as fresh processed meat (Hearing, p. 179). The meat packer in shipping from his plant must have in mind that the consumer, who is buying to an increasing extent toward the week-end, expects the meat purchased to last for three to five days without deterioration and that the retailer requires from three to five days to turn over his stock of meat.

Fresh beef, when put into a chill cooler at the packing plant, begins to suffer loss from shrinkage and drying out so that the longer it is kept by the packer the more trimming the retailer will have to do when he cuts it up to meet the orders of consumers. The packer tries to move beef into distribution as quickly as possible and in the plants of Canada Packers the turnover averages between four and five days from the time of slaughter to the time of sale to the retailer.

Pork is seldom sold in carcass form. It is cut into saleable pork cuts by the packer as soon as the carcass is chilled. This cutting up increases the chance of spoilage and every packer tries to get fresh pork to the retailer on the first or second day after cutting.

The situation does not differ very much with smoked and cured meats because consumers have demanded milder and milder flavours which means less salt and less smoking so that the products are very perishable. If such products are kept in refrigeration they will have a shelf life of ten or twelve days, depending on the refrigeration facilities of the retailer and the way the housewife keeps her purchase before using it.

In the summer there is some shift in demand by consumers from fresh to processed meats. The flow of livestock to market at

this time of the year is usually less than current consumption. The gap is filled largely by the use of storage stocks of pork for the production of processed meats and by the use of frozen boneless beef, which would be brought out of storage for the manufacture of weiners, bologna and cooked meats.

Consumers appear to have an aversion to frozen beef so that on being frozen a beef carcass is at a discount of about 5 cents per pound compared with fresh beef. The beef which is frozen for storage is largely beef from low-grade carcasses from which the bone is removed to produce boneless beef.

The foregoing summary of meat perishability is based on the evidence of Dr. G.F. Clark (Hearing, pp. 57, 179-83, 444-45).

2. Joint Products of Livestock Slaughter

The slaughter of livestock produces a variety of products, both edible and inedible. The range of products from the slaughter of cattle and hogs was illustrated in two charts presented to the Commission by Canada Packers which showed the approximate disposition of an average beef animal and an average hog (Exhibits H-4, H-5).

The weight of the average beef animal was placed at 965 lb., live basis. The cold dressed weight of the carcass, after slaughter, was placed at 490 lb. The disposition of the beef animal was traced as follows:

Live Animal - 965 lb.

By-products			Carcass
Manure and shrink	-	243½ lb.	Cold dressed weight - 490 lb.
Edible offal (fancy meats, i.e. heart, liver, kidneys)	-	34½ lb.	
Edible fats	-	34 "	
Casings	-	12 "	
Liquid blood	-	31 "	
Bones	-	38 "	
Inedible (tankage)	-	11 "	
Hide	-	64 "	
Other by-products	-	7 "	
Disposition of Carcass			
Sold from carcass	-	321 lb.	
Beef cuts - fresh	-	84½ "	
- frozen	-	3½ "	
*Boned beef - fresh	-	45½ "	
- frozen	-	8½ "	
* Bones and fat to by-products		24 "	
Salt, barreled and cured beef	-	3 "	

Of the 54 lb. of fresh and frozen boned beef, approximately 20 lb. on the average would be sold wholesale for conversion into hamburger, 4 lb. would be canned and 30 lb. would be used in cooked meats, such as weiners, bologna, etc.

The average hog was described as weighing 208 lb. on a live basis. When slaughtered this produced a hot carcass weighing 160 lb. The latter shrank 4 lb. on cooling so that the chilled hog carcass weighed 156 lb.

The inedible by-products produced from the hog slaughter includes grease, unground meat meal, hair and dried blood. Among the edible by-products are lard, amounting on the average to $18\frac{1}{2}$ lb., fancy meats, amounting to $4\frac{1}{2}$ lb., rinds, cracklings and casings.

The disposition of the chilled carcass was shown as follows:

Chilled carcass - 156 lb.

Edible by-products	- 34 lb.
Inedible by-products	- 7 lb.
Cutting shrink	- 1 lb.

The remaining carcass weight of 114 lb. is disposed of as follows:

Fresh pork	- 52 lb.
Trimmings, etc.	
made into	
Sausage, etc.	- $11\frac{1}{2}$ lb.
Canned meats	- $1\frac{1}{2}$ lb.
Cured pork	- 49 lb.

In the case of cured pork, $44\frac{1}{2}$ lb. would be put directly into cure and $4\frac{1}{2}$ lb. would be frozen for curing later. The 49 lb. of pork for curing would be processed on the average as follows:

Cooked ham	- 4 lb.
Canned ham	- 2 lb.
Smoked meats	- 36 lb.
Sweet pickled meats	- 7 lb.

3. Establishment of Selling Prices

Several of the factors referred to in the sections immediately preceding were summarized in a study of the meat packing industry in the United States, and the following extract from this work which had been quoted in the Statement of Evidence was said, on behalf of Canada Packers, to be generally accurate with respect to the industry in Canada:

> "Several product characteristics of meat strongly influence pricing and competitive methods of the packers.[158] (1) The packers have no control over the current supply of livestock, for this depends on the decisions of thousands of farmers and ranchers whose shipments are subject to unpredictable fluctuations depending on weather, prices of feed and many other factors. (2) Packers cannot determine, except to a modest degree by varying cutting methods and cold-storage operations, the quantities of various products they will put on the market. They do not assemble products as they choose but disassemble the raw material in the forms that its nature permits. (3) This means also that all their hundreds of products and by-products are manufactured under conditions of joint cost. Cost, therefore, can be only a limited guide in pricing any one of them. (4) Cuts of beef or pork from different animals are not precisely standardized or homogeneous, and the accepted cuts often differ with the region. (5) Fresh meat does not lend itself easily to company branding which will distinguish it in the eyes of consumers, although some packers are increasing their experiments with branded, prepackaged, frozen table cuts. Most sales are made to retailers, who are more interested in price than in the company name, and the meat is sold in carcasses, sides, quarters and wholesale cuts. Few cuts of fresh meat at retail carry the packer's name. (6) Fresh meat is perishable: the trade cliche is 'Sell it or smell it.' Freezing reduces the sale value, and facilities to store much meat in this form are lacking. (7) Finally, demand is determined by such factors as consumer incomes, the weather, and the supply and price of competing foods. Advertising has evinced little power to affect it.
>
> 158 This analysis relies in part on suggestions by Henry B. Arthur, Economist of Swift & Co."[1]

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1 Simon N. Whitney, Antitrust Policies - American Experience in Twenty Industries, The Twentieth Century Fund, New York, 1958, Vol.1, p.73.

The Statement of Evidence described the establishment of prices by meat packers as follows:

> "The most striking thing about the way in which prices are arrived at for the products of the meat-packing industry, is that the process has long involved a good deal of bargaining between the retail outlets and their suppliers. Each salesman for the large packer is supplied with a price list which is made up each week and which records the prices which the packer would like to obtain and which records also the margins for the various items which the salesman may bargain away if he has to. A lower limit will be set by what the product could be expected to bring in an alternative form. (e.g. if comparable items were frozen and stored for later sale). If the asking price is higher than retailers are willing to pay, it may be lowered by the salesman within the discretion allowed to him, and if the asking price is lower than retailers would be willing to pay, the salesmen will become aware of it and the packer may issue a higher price list. Prices to large retailers such as chains will not be set by individual salesmen, but a similar process of bargaining occurs. It is apparent that under this system, different retailers may pay different prices for the same product at the same time.
>
> The price lists which are issued by the packers are based on a number of factors including the actual cost of the product so far as this can be determined, the competitive situation, the storage position and the need to move supplies into consumption, the estimated future prices for the product in an alternative form, etc. The prices at which sales are actually made, may or may not cover costs, but if the salesman is skilful, they will be the highest obtainable. . . ."
>
> (Statement, p. 14)

During his cross-examination, Dr. Clark described the process of establishing the selling price of meat as follows:

"MR. DAVIDSON:

Q. But then are you not suggesting that this shows that the packers do not or cannot have any control over price?

A. I have suggested that consumer demand determines the price at which the available supply of meat being sold at any time will go into consumption.

Q. Who determines the price that the packers charge for their packing services?

A. Well, I also said that the packer will attempt to buy livestock at a price which will allow him to market the meat produced at a price which the consumer is willing to pay, and which will also allow him to make a reasonable profit.

I said that competition amongst the industry, amongst the slaughterers, would ensure that the price paid for the meat to the livestock producer was the highest price that could be paid, and still move the quantity of meat produced from that livestock into production .

. . .

Q. . . . who controls the price which packers charge for their packing services?

A. We do not charge a price for our packing services. What we do is, we try to sell our meat by this bargaining process that our salesmen go through, to give as high a return as possible. And that price that we can charge is entirely based upon what the consumer demand sets for the price of meat, and the quantity being offered, as compared with competing foodstuffs.

Then we try to buy our livestock in competition with other packers, at a price. I suppose the way to say it is that it is a bargaining process. In our bargaining process we try to buy as cheaply as possible. And there are times that we make profits, when this spread over services, as you call it, is so wide. And there are times ---

BY MR. CARSON:

Q. That leaves the wrong impression, when it is written on the record?

A. Well, when the margin is positive, that we make something for our packing service, plus profit; and there are other times when we are not making anything for our packing service, and we may be in a loss position.

We just do not go out -- let us say that we bought beef at 34 cents, and it cost us 2 cents to put it through the plant, and therefore we must sell it for 36 cents. We sell it for whatever we can get, and sometimes we get

36 cents and sometimes we get 34 cents, and there are occasions when we get $33\frac{1}{2}$ cents."

(Hearing, pp. 437-41)

Mr. C.F. Alton, General Sales Manager of Canada Packers, gave evidence before the Commission. He testified that individual salesmen of the Company are provided with price lists of meat and, in addition, the Company furnished them with as much market information as possible through bulletins and telegrams and, sometimes, by telephone.

The route salesman would develop through experience knowledge of the particular requirements of each of his retail customers and would bargain with each customer to obtain the best possible price for the Company for the particular type of meat desired by the retailer (Hearing, pp. 521-27).

Samples of the price lists of beef furnished to the Company's salesmen operating under the Toronto Branch of Canada Packers were filed with the Commission.

Mr. Alton said that the price lists are made up by the manager of the beef department on the following basis:

"A. Well, these prices, sir, are not necessarily built up as a result of the cost of the cattle, plus the cost of processing, and the other charges, such as interest and depreciation, and what not. These prices are issued as being the best judgment of our beef manager at the time the price list is made up. They are not a specific calculation of taking all the parts that go to make up the cost, and then arriving at a figure. This is his best judgment of the selling market at the time he issues this price list."

(Hearing, p. 563)

The price lists filed with the Commission included copies of beef price lists for Ontario, parts of the Province of Quebec served by the Toronto plant, and New Brunswick and Nova Scotia. Shipments to the latter provinces are also made from Toronto. In the case of each of the district price lists the prices were listed on a delivered basis. Some question arose whether the Ontario price list included the Toronto metropolitan area but the Commission was informed that salesmen in this area were furnished with a separate price list (Hearing, p. 2125). A different group of

salesmen deal with chain stores but the same system of bargaining is followed.

The manner in which costs of delivery were taken into account in establishing lists of delivered prices over wide territory with varying costs of transportation to different localities was not clearly established by the evidence. During cross-examination, Mr. Alton testified as follows:

" BY MR. DAVIDSON:

Q. If I understand your evidence correctly, these prices apply throughout Ontario, is that correct?

A. In the area serviced by our Toronto plant.

Q. And what would be the farthest point reached by salesmen from Toronto plant?

A. Oh, Kingston.

Q. Kingston?

A. And Chatham, and the Sarnia-Leamington area.

Q. Where, for example, would northern Ontario be served from?

A. North Bay and the north, from Winnipeg.

Q. And Sudbury?

A. From Winnipeg.

Q. What about Sault Ste. Marie?

A. Winnipeg.

Q. Then, taking Kingston, is it correct that Canada Packers absorbs the cost of freight in shipping meat to Kingston?

A. No, I would not say that. I would say that its prices, its price list, includes the cost of shipping meat to Kingston.

Q. But if these prices apply in Toronto, and if there is no shipping cost applying to the meat sold in Toronto, except a few miles from the plant, and the same prices

apply in Kingston, which is approximately -- what is it -- a hundred miles away?

MR. CARSON: I think it is about 165 miles away, roughly.

BY MR. DAVIDSON:

Q. If the same prices apply there, then the company must be absorbing the freight, must it not?

A. Well, here we are dealing with a suggested price list, but our invoices reflect the actual prices secured. Now, would you like to ---

Q. Go ahead with that, yes; enlarge upon it?

A. Well, let us start with the first item, at 49 cents a pound. If it were a fact that the salesman in Kingston today received 49 cents, and the salesman in Toronto today received 49 cents, the net difference in freight -- Canada Packers' return would be lower by the net difference in freight.

Q. Yes, that is right. Did I understand you to answer the question that one of the members of the Commission asked of there being no difference in the amount by which the salesman would shade the suggested price in relation to the different areas in which he sells? I understood your evidence in that connection to be that it did not matter whether the salesman was selling in Toronto or selling in Kingston, let us say, -- that there was no tendency for the suggested price to be shaded, necessarily -- no necessary tendency for a suggested price to be shaded more in Toronto than in Kingston?

A. Well --- no, I did not say that. I do not have a rule to apply, any rule of thumb to apply, on the degree of trading in any particular area, or in one area against another. The degree of trading which exists depends upon the competitive conditions at the time the deal is made on that particular territory, whatever it might be.

Q. Then, I cannot conclude that there would be a greater tendency to shade the suggested price in Toronto than there would be in Kingston?

A. That is a difficult question for me to give you an answer to. Again, because of these conditions which exist in the various areas, which may be this way today

but entirely different or somewhat different tomorrow. I cannot define the degree here.

Q. Well, this question comes to bear on the freight advantage which the local slaughterer might be expected to have. If Canada Packers in selling in his territory does not absorb the freight, then the local packer does benefit from his freight advantage. If, however, Canada Packers does absorb the freight, in selling in that territory, then the local packer's freight advantage will disappear?

A. But how do you determine if and when Canada Packers absorbs the freight? Really, you see, we have no thought about absorbing freight. We have set our price list for this particular area, which includes delivery to the customer's store, the cost of delivery to the customer's store. And from that point, our salesman must take and make his individual bargain, if you will, or his deal, with his individual customer. The gross price that we get for the product in a particular community is determined by the competition. . . ."

(Hearing, pp. 559-62)

Extracts from copies of bulletins to salesmen included in Exhibit H-73 will illustrate the nature of the instructions and advice given to salesmen:

<u>February 10th, 1960</u>

"Short runs of cattle all across the country have resulted in sharply higher costs.

The trend of the last two weeks has been reversed - we are into <u>higher</u> costing cattle daily.

This means <u>one thing</u>, you must get your selling prices up.

Refer to your Price List of February 10th - work for these selling prices. You may have to shade a $\frac{1}{4}$ or $\frac{1}{2}$¢ - certainly 1¢ is maximum.

Work hard and keep selling."

April 4th, 1960

". . .

Total slaughter cattle are up about 80 cattle - this increase is mostly in babies.

The noon market calls trade as slow, with steady prices.

We want you to sell Branded yearlings and babies 350/400.[lb.]

Trade on these cattle if necessary, but sell! ! !

Medium heifers and steers are steady.

Work hard for more volume!"

April 21st, 1960

"We are asking you to obtain more beef volume! You have been given minimum selling prices. If you feel it is necessary to trade on these minimums on carcasses you may do so fractionally.

Try hard to get your prices but we do not want you to miss an order, for a $\frac{1}{4}$ or $\frac{1}{2}$ cent difference.

However, we must insist on our minimums on hinds!

. . .

We are disappointed in the response to our plea for more commercial front business - this is another reason we must have full list on hinds!

Sell commercial fronts now!

We need your help on this item and will not hold you down on prices.

Cow costs are stronger - full list on all cows.

. . ."

Canada Packers also produced exhibits to show the range of prices at which products in a similar class were sold during the same week to illustrate the trading or bargaining system used in the

sale of meat products. Exhibit H-29 is a chart showing the prices and sales of S-2 brand beef carcasses by Canada Packers' Toronto plant car route salesmen in each week from February 17 to March 30, 1960. S-2 brand beef was stated to be beef graded as Blue brand. The prices used in constructing the chart were f.o.b. Toronto plant and were thus not on the same basis as the price lists previously mentioned which contained delivered prices. In each week shown in Exhibit H-29 sales were made generally over a range of 5 cents per pound with a very few sales being made in some weeks at even wider range. Dr. Clark pointed out that within a single grade of beef there would be variation in quality and individual retailers have their own preferences for particular types of beef. During the period embraced by Exhibit H-29 the level of prices was tending downward and sales were made in larger quantities in the later weeks. From the chart in Exhibit H-29 it is possible to construct a table showing the approximate quantities sold at each price. The distribution during the last three weeks in March, 1960 is shown in Table 25.

Table 25

Prices and Sales of S-2 (Blue Brand) Beef Carcasses
by Toronto Plant Car Route Salesmen,
March, 1960

	Week Ending					
	March 30		March 23		March 16	
Cents per lb.	No. of Carcasses	Per Cent	No. of Carcasses	Per Cent	No. of Carcasses	Per Cent
36			1	1.5		
37	4	6.6	3	4.6		
37¼	2	3.3				
37½	2	3.3	4½	6.9	1	1.9
37¾	1½	2.5	3½	5.4		
38	3	5.0	2½	3.8	3½	6.6
38¼	7	11.6	9½	14.6	½	.9
38½	2	3.3	6	9.2	4	7.5
38¾	1½	2.5	7	10.8	5½	10.3
39	5	8.2	3	4.6	3	5.6
39¼	2½	4.1			4	7.5
39½	6	10.0	8	12.3	8	15.0
39¾	5	8.3	4½	6.9	6	11.2
40	7	11.6	4	6.1	8	15.0
40¼	2½	4.1				
40½	3½	5.8	2	3.1	½	.9
40¾					½	.9
41			2	3.1	1	1.9
41¼	2	3.3	1½	2.4		
41½	2	3.3	1½	2.4	3	5.6
41¾	½	.8	1	1.5	2	3.7
42					½	.9
42¼			½	.8		
42½	½	.8			½	.9
44½	1	1.6				
45					2	3.7
Totals	60.5	100.0	65	100.0	53.5	100.0
Cumulative Sub-Totals						
37-37¾¢	9½	15.7	11	16.9	1	1.9
38-38¾¢	13½	22.4	25	38.4	13½	25.3
39-39¾¢	18½	30.6	15½	23.8	21	39.3
40-40¾¢	13	21.5	6	9.2	9	16.8

Source: Exhibit H-29.

During the same weeks sales of S-2 beef carcasses to chain stores were made by the Toronto plant at the following prices (Hearing, p. 470):

Week ending March 16, 1960 - 38 - 41 cents
" " March 23, 1960 - 38½ - 41 cents
" " March 30, 1960 - 38½ - 41 cents

Exhibit H-30 is a chart showing the range of prices at which certain meat products were sold by the Winnipeg plant of Canada Packers during the week ending March 30, 1960. This exhibit shows that S-1 or Red brand beef carcasses and sides were sold at prices ranging from 37 cents to 41 cents per pound. The largest quantities were sold at 38½ cents and 41 cents, but substantial quantities were sold at 38 cents and also at 40½ cents. An interesting feature of the chart is that no sales are shown at 39 and 39½ cents. In the case of pork loins, the range of prices in the same week extended from less than 39 cents to over 43 cents per pound but substantial sales were made at 39 cents and less, at 41 cents and at 42, 42½ and 43 cents. In the case of Maple Leaf regular boneless hams, prices ranged from less than 62 cents to over 66 cents per pound with substantial quantities being sold at the lowest prices and also at 63 cents, 64 cents, 65 cents and at the highest prices. Sales of Maple Leaf sliced side bacon were made largely at distinct price intervals, and the quantities may be approximated from the chart in Exhibit H-30 as follows:

Cents per lb.		No. of lb.
Less than	44½¢	475
	44½	-
	45	1,550
	45½	-
	46	750
	46½	75
	47	750
	47½	-
	48	500
	48½	75
Over	48½	600

In considering the above examples of price differences for the same class of meat product it should be kept in mind that the sales tabulated were made over the period of a week and that there might be changes in the general level of prices in the meat industry during such a period.

Although the system of allowing salesmen to establish sales prices on individual orders under the instructions given by the packer is generally followed in the meat packing industry, the Commission was informed that one Ontario packer does not give discretion in prices to its salesmen and that, for at least a year, the Edmonton branch of Canada Packers has been following a somewhat similar policy. The system followed by the Edmonton branch was described as follows:

"A. As an experiment our Edmonton plant are using a system which does not permit the salesman, as such, to do the trading. He must refer this back to a superior in the office, and the decision as to the latitude or trading aspect is taken over by those people and communicated back to the salesman. The decision is made at the office level.

BY MR. CARSON:

Q. Where is that?

A. In Edmonton.

BY MR. DAVIDSON:

Q. Does that apply throughout the territory served by the Edmonton plant?

A. That is correct.

Q. When was that system instituted?

A. I am sorry, but I cannot answer that question without consulting my files.

Q. It has been in effect, though, for some time, has it not?

A. At least a year.

Q. Can you say what the reasons are for the different practice? Why would Schneiders down here use a firm price and yourselves, in Edmonton; but, more generally, the packers use this trading practice?

A. I can only speak for our own company. I don't know what the thinking is behind the Schneider company approach.

So far as our Edmonton plant is concerned one reason

why this experiment was introduced was to eliminate the time spent on haggling, if I may use that word, or bargaining, and thus leaving the salesman with more time for actual selling. That is one reason why that system was introduced by our people in the Edmonton plant."

(Hearing, pp. 557-58)

Prior to the withdrawal of the salesman's discretion in prices by the Edmonton branch the long-established trading system of pricing had apparently been under review at that branch. The following reference is made in the Statement of Evidence:

"In recent years this traditional policy in the meat-packing industry has been called into question. In a talk given by the Edmonton Plant Manager of Canada Packers Limited, a copy of which was placed before the Executive Committee of the Company on April 16, 1957 the following appears:

'For as many years as I can remember, we have followed the policy of allowing our men to trade on selling prices. Until recently we have even accepted some items below cost, the theoretical objective being to earn a total profit. This policy of free trading is no longer practical. . . . Here is what happens. One of our salesmen gives one customer a special on bologna. Probably at his cost in order to secure other profitable items. Possibly that specific order was profitable. The customer peddles the price information to the competitor's salesman, and he retaliates in his "pet" account, then the fight is on . . . .

Then another leader must be offered the following week by our man, as bologna is no longer a special at our cost, but can be bought from any packer at that price, so the process is repeated on wieners, and away we go again! This process carries on until there is no profit left in any provision items, and somebody calls a halt. Invariably, it is we who call a halt, as our accounting methods enable us to detect unsatisfactory result trends faster than do our competitors. . . .'

(Exhibit EKB 47A - 51)"

(Statement, p. 16)

No indication was given to the Commission by Canada Packers of modification of the trading system of pricing in any other sales territory of the Company.

CHAPTER VII

DIVERSIFICATION OF CANADA PACKERS' OPERATIONS

In the description of Canada Packers given earlier in this report the principal plants acquired at the time of the merger in 1927 and the subsequent acquisitions of other businesses have been mentioned. Diversification of the operations of large meat packing firms has long been a feature of the industry on this continent. The businesses which were merged to form Canada Packers in 1927 included meat packing plants, creameries, produce and poultry plants and factories for the manufacture of shortening and edible oils, fertilizer and livestock feed materials, soap, processed cheese, canned vegetables and pickles.

The broad factors leading to diversification in the meat packing industry are set out in the Statement of Evidence as follows:

> "The foundations for diversification in the meat-packing industry may be looked at in several broad propositions. The large packers diversified originally to provide the means of marketing animal by-products. They possessed the know-how for handling other perishable goods. Non-meat lines could be added to utilize under-employed resources of management and to make a contribution to overhead. Control of marketing channels and products in some cases could be used to advantage in handling other products. The size of the meat-packing operations conferred advantages in the handling of other products. . . ."
>
> (Statement, pp. 118-19)

Some of the factors no longer have the same significance as they appeared to have at an earlier period in the development of the meat packing industry. The Statement of Evidence makes the following comment on this aspect:

> "For many years it was commonly believed that the ability efficiently to process by-products conferred a substantial competitive advantage upon the large packer. However significant this advantage may have been in the past it is now of greatly reduced importance. Hides and soap, as will be indicated in later sections have tended

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to lose out to synthetic alternatives. Substitutes have also been developed to compete with the other main classes of by-products. The vegetable oils now compete with other animal fats. Chemical fertilizers have largely displaced the organic fertilizers. The development of new by-products, particularly in the pharmaceutical field, no longer looks as promising as it once did."

(Statement, p. 119)

At the same time, as Dr. G. F. Clark pointed out, the large meat packing plant has a considerable advantage over a small slaughterer by being able to handle by-products in a better manner (Hearing, p. 79). The returns which Canada Packers receives from its different divisions and subsidiary companies vary considerably and thus their contributions to the Company's total income differ greatly. Some indication of the variations is given in the following table which appeared in a Company document dated January 30, 1956:

PROFIT AS A RETURN ON INVESTMENT

Based on Profits for Periods 1 - 10 Fiscal 1956

(Before providing for Income Taxes or Interest Cost)

000's omitted.

	Investment			
	Fixed Assets	Receivables, Inventories, etc.	Total Investment	Return on Investment expressed as % per annum
Beardmore [leather]	1,555	2,744	4,299	9.4%
Anglo-Canadian [leather]	1,053	1,347	2,400	2.2%
Robson Leather	602	1,098	1,700	16.0%
Aurora [Collis Leather]	490	1,040	1,530	17.1%
Feather Industries	301	142	443	3.8%
F. Hunnisett Ltd.	150	418	568	6.4%
Industrial Bags	326	302	628	6.5%
Cdn. Veg. Oils	558	749	1,307	15.9%
Masson & Sons [fruits & vegetables]	2	93	95	27.8%
Shur Gain Inc. [feeds]	159	524	683	8.9%
Fertilizer Division	2,961	6,157	9,118	17.3%
Canada Packers - Canada (excluding Fertilizer)	28,276	34,691	62,967	12.6% "

(EKB 723)

Within the broad field of packing house operations there are also wide variations in the returns made on different product lines and by different branches which are operated by the various plants. In the accounting system used by Canada Packers each individual trading account is charged interest on the assets employed in that division or branch at the rate of 6 per cent in addition to the charges for depreciation. Only a portion of the money Canada Packers invests is borrowed so that the 6 per cent charge represents, in part, a portion of the Company's total profit (Hearing, pp. 1659-60, 1723). For divisional accounting purposes a trading account is not shown as operating at a profit unless it earns more than the 6 per cent interest charge. On this basis the operations of the Winnipeg plant of Canada Packers were described by the Plant Manager in a review dated March 27, 1957 which contained the following:

". . .

Our Actual Results for the year turned out $46,000.. less than the previous year and were quite a good figure. We had however, the following 'red' departments -

Lambs	$2,334.68	Loss
Butter	13,369.36	"
Cheese	1,994.70	"
Poultry	11,841.44	"
Peanut Butter	933.59	"
Canned Goods	5,394.77	"
Frosted Foods	586.03	"
Pickles	7,119.79	"
Fish	6,810.39	"
Pet Foods	9,086.04	"
Prairie Meat	11,449.62	"
Fruits & Vegetables	16,126.47	"
Sundry	1,355.87	"
Saskatoon	25,486.46	"
Prince Albert	10,038.39	"
Timmins	5,436.26	"
Souris	8,797.57	"
Saskatoon Produce Units	4,034.07	"
Dauphin Produce Units	1,466.63	"

. . .

Poultry

Once again we have turned in a heavy loss and looking back over the last ten years we have only made profits in three years and they were all relatively small profits.

. . .

Fish

On Fish, as you know, we have discontinued the operation.

. . .

Fruits & Vegetables

This account is worrying me and I suppose one of the chief reasons is, that I know nothing about it. Unfortunately, it looks as if we are losing our Manager. However, we are working closely with Clint Stewart and Bill Carroll and will try to get rid of these 'red' figures during the coming year.

. . .

Saskatoon

. . .

Barry Ursell is operating on one of the toughest territories in Canada Packers. Neither Edmonton or Winnipeg are in a position most of the time to supply him competitively and he is up against very tough competition.

. . .

Prince Albert

Like Saskatoon, Prince Albert are in a very tough position and Errol Walter has turned in the second best year in the last ten, despite the fact that he lost over $10,000.

Competitively, he is almost in a worse position than Barry Ursell at Saskatoon.

. . .

Souris Creamery

This Creamery has been closed and I am very pleased to report that our other seven Creameries all made money for the year. As a matter of fact, if it had not been for Souris the profit on Creameries this year would have been $23,000.

Produce Units

The loss at Saskatoon of $4,000., is out of all reason and must stop. Steps have already been made to curtail these losses by closing one, and possibly two Units as soon as the hatching season is over. It is just nonsense carrying on year after year losing $4,000. - $5,000., at these Stations.

. . .

Dauphin Produce Units

The loss shown at Dauphin is for a Station at Kamsack, which was closed November 7th, and so there will be no loss in the new year at this point.

. . ."

(EKB 391A-405)

The great changes which have been made in distribution since World War II, particularly in grocery and allied lines, have led Canada Packers to make changes in its methods of distributing several products which had been handled as part of the packinghouse operations. The relative position of Canada Packers with respect to several grocery lines was described as follows in an address by Mr. W.F. McLean to a Sales Conference of the Company in April, 1955:

". . .

During the past few years we have put a good deal of emphasis on the sales volume of our Grocery lines. This is quite proper. Many of our Grocery lines are among our most profitable, and they serve to add stability to our Packinghouse business. We are just as ambitious to be the leading manufacturer in our Grocery lines as we are in the Meat business.

In the Shortening business we are the leaders in Canada. In Margarine we have not been nearly so successful, but still we are one of the leaders; and we are planning to become the unquestioned leader again. In Peanut Butter we have become the largest manufacturer in Canada in a few short years. In soap we are on the move right now, and our Liquid Detergent is the leading product on the market. In Canned Goods we have never been

successful, but there are signs that we are beginning to move this year.

Some of these Grocery lines are very profitable. The edible oil products, Margarine and Shortening, account for about one-third of the total profit of Canada Packers year after year. The Peanut Butter department has made a very substantial profit each year for the past five years.

But let no-one delude himself that anything like these profits would be available to us from these Grocery lines if we began to slip in the Meat business. Our volume in our traditional Packinghouse lines is what allows us to maintain our hard-driving sales force and allows us to maintain the Plant and Head Office organizations, which supply part of the key needed to unlock the door to continued success. . . .

. . ."

(EKB 943A-958D)

In the following year changes were made in the Company's distribution organization for several grocery lines and were described by Mr. W.F. McLean in April, 1956 as follows:

". . .

During the year, important changes have been made in our organization affecting Soap, Peanut Butter, and Canned Goods. The Soap Department has been set up as a separate operating division of Canada Packers. It is now organized in much the same way as the Feed and Fertilizer Division. This Soap Division now maintains its own sales force for Ontario and Quebec. The new sales force has also been made responsible for York Brand Peanut Butter in Ontario and Quebec.

This change will allow the Soap Division to conduct themselves and to make decisions based only on their judgment of their best interest in their special field.

Before the change, they had always to consider the overriding interest of the packing house business, and in a good many cases this conflicted and prevented them from following a course of action best suited to their own

field. The change will also allow us to develop senior management in the Soap field which will be free to compete on equal terms with other Soap companies.

. . .

. . . We are forming a separate company to deal with the manufacture and sale of these products [canned goods and frozen foods]. In the main, the same reasons as in the case of the Soap Department led us to this decision.

You all know that we have never been successful at making profits in canned goods. . . .

. . .

Let me say that these changes do not, in any sense, indicate a lack of faith in the Canada Packers sales force. They are a recognition that our system for selling and handling fresh meats is not suitable to compete in the soap trade and canned goods trade.

The new soap and canned goods divisions are designed to take advantage of every economy in delivery and selling which is available to any other company in the same field. . . .

I firmly believe that one of the most important advantages accruing from these changes will be the effect on the Canada Packers sales force. Consider that this will allow you to concentrate your energies on packing house products, shortening, margarine, produce, and poultry. A considerable amount of your time and thought has been devoted to soap, peanut butter, and canned goods. The new arrangement will allow you to become specialists in the other fields, and particularly in the packing house field.

. . ."

(EKB 2121A - 2135)

In the following sections of the report the experience of Canada Packers in the principal lines of diversification will be examined in more detail.

CHAPTER VIII

ACQUISITION OF LEATHER TANNERIES BY CANADA PACKERS

1. The Leather Tanning Industry

The tanning industry in Canada consists of four principal sections which utilize different processes or materials for the production of leather. The four sections are: sole leather; side upper leather; calfskin tanning and specialty leathers.

Sole leather is made by tanning cattle hides in a solution made from certain barks and the resulting product is usually the full thickness of the hide. In former years such heavy leather was also used for the production of harness and belting but the demand for the latter has largely shifted to other types of belting, such as rubber, or other forms of machinery drives, while the demand for harness leather has almost completely dried up.

The demand for sole leather in footwear has been affected greatly by the rise of substitute materials, and by 1950 almost half the shoes made in Canada had non-leather soles. The proportion increased somewhat more in later years but has remained more or less stable in the most recent years for which figures are available, as is shown in Table 26.

Table 26

Proportion of Canadian Footwear Production Made with Non-Leather Soling, 1950-59

Year	Total Leather Footwear Production (000,000's Pairs)	Percentage of Shoe Production with Non-Leather Soles
1950	33.9	46.0
1951	33.1	54.5
1952	37.4	60.0
1953	38.9	60.4
1954	37.1	60.2
1955	38.0	57.9
1956	41.7	61.1
1957	41.8	63.0
1958	42.9	63.1
1959	44.8	63.9

Source: Dominion Bureau of Statistics, The Leather Footwear and Leather Boot and Shoe Findings Industries.

Side upper leather is also made from cattle hides by a chrome tanning process which requires less time in tanning than the vegetable process and in sole leather tanning. The hides are generally split edgewise by a machine and the leather is sometimes referred to as "split" leather. This splitting process enables the side upper leather tanner to produce leather from hides which may have surface defects caused by cuts or scratches received by the live animal or by the hide in the process of removal. Side upper leather tanners are better able to make use of what are known as country or butcher hides, which are removed in small slaughtering establishments and therefore may not be as well handled as in large meat packing plants. Side upper leather, as the name suggests, is used principally in the manufacture of the upper part of shoes but it may also be used for clothing, upholstery, etc.

Calfskin leather is made by a chrome process and the leather is used for shoe upper leather as well as for handbags and other purposes. According to the evidence of Mr. W. F. McLean the chrome process used in tanning calfskins is not interchangeable with that used for tanning cattle hides and tanneries in one field could not shift from one raw material to the other. However, a few firms making sole leather also manufacture side upper leather.

The fourth section of the industry is specialty leather tanning, which includes luggage and bag leather and other specialty lines.

Sheep and lambskins are processed by the tanning industry in Canada and the leather is used principally in making gloves, garments and shoe linings. Goatskins, pigskins and horse hides are used to a very limited extent by the Canadian tanning industry.

2. Supply of Hides and Skins

Hides and skins are by-products of slaughtering and so far as the domestic supply is concerned the quantities which become available are dependent upon the level of slaughtering activity. There is, however, a large international trade in hides and skins so that the tanner may fill his particular requirements by drawing on both domestic and foreign sources of supply.

It has already been pointed out that the demand for sole leather has been greatly affected by the disappearance of uses and the use of substitutes. Other types of leather have also been affected to a greater or lesser extent in the same way. This has meant that the prices of hides and skins have been affected by the prices of substitutes

and have thus not risen in the long run to the same extent as the price of meat. According to a calculation made by the Director the value of cattle hides reported in the Slaughtering and Meat Packing Industry in Canada in 1935 formed more than one-ninth of the value of cattle slaughtered, while in 1955 the value of hides was only one twenty-fifth of the cost of cattle slaughtered. The Director then made the following comment:

> "There seems to be little doubt that the basic reason for this change has been the development of leather substitutes. Properties of leather which in the past have distinguished it from other materials used for similar purposes are its flexibility and resiliency, its porosity hence ventilating properties, its high tensile or tear strength, and the ease with which it can be worked on by the fabricator. Many substitutes are now being used with varying degrees of success, some completely displacing leather for certain uses and some merely competing with leather for a share of the market. Among the substitutes for leather, natural and synthetic rubber and vinyl plastics are used for heels and soles; cork, fibre, felt and other fabrics are used for inner soles; gabardines, linens, canvas and imitation leathers are used as upper leather substitutes; rubber and canvas are used for machine belting; and a great variety of fabrics are used for upholstery materials, luggage, hand-bags, etc. . . ."
>
> (Statement, pp. 139-40)

Each tanner attempts to secure the selection of hides or skins which is most suitable for the types of leather he wishes to produce. If the selection he requires is not available in Canada and prices in foreign markets are favourable the tanner will pass over less suitable domestic hides or skins and import the particular types he desires. The lack of suitability of domestic supplies may be due to two causes. First, that animals currently being slaughtered are not of the type to provide in sufficient quantities the hides desired and, secondly, that the hides are not accumulated with sufficient care and distinction by grade to permit close selection of particular types. The Statement of Evidence makes the following reference to these factors:

> ". . . Because of the possibility of blemishes from knife marks etc. and poor trim, the take-off determines the extent to which the hide surface may be utilized for the manufacture of leather. Cure influences the quality of the leather and the length of time for which a hide may be

safely kept before tanning. Many country hides are of poor quality since their take-off, trim and cure are usually inferior to the work of the large slaughtering establishments. Hides of the large packers are taken off uniformly, are sorted, cured and stored under standard conditions and are available to purchasers by grades in large numbers. The small packer may not have enough hides to separate them into grades and provide the same weight selection as the large packer. . . ."

(Statement, p. 141)

The hides and skins produced in Canada which are not required by domestic tanners are exported, largely to the United States, while imported hides and skins are purchased by tanners in Canada to fill their needs which are not met from domestic supplies. The inward and outward movements of hides and skins take place on a substantial scale, as will be seen from Table 27.

Table 27

Imports and Exports of Raw Hides and Skins, 1953-60

(000's)

	Cattle Hides		Calfskins		Sheepskins	
Year	Imports	Exports	Imports	Exports	Imports	Exports
1953	455	333	396	651	792	118
1954	371	793	430	598	846	116
1955	578	823	774	884	879	158
1956	695	641	675	883	1, 101	160
1957	618	963	794	1, 049	998	109
1958	532	1, 014	715	1, 041	687	238
1959	580	786	671	687	1, 168	248
1960	497	1, 266	580	758	1, 035	345

Source: Dominion Bureau of Statistics, Trade of Canada.

Cattle hides are salted and piled in a hide cellar for 30 days by the packer before being sold. The tanner may buy directly from the packer or from a hide dealer who has purchased the hides from a packer or slaughterer. Often the tanner will use the services

of a hide broker who has inspectors to check the quality and grade of the hides supplied. Hide brokers maintain offices or connections at the principal hide centres and are able to advise clients as to supplies and market conditions both in Canada and elsewhere.

Because of the international trade in hides and skins market prices in Canada are responsive to changes in world markets, particularly the United States. Broadly speaking, when supplies in Canada exceed domestic requirements the price will tend toward the price for the same grade of hide on the principal United States market, less the cost of transportation to that market and less the United States tariff of 4 per cent. When Canadian demand for a particular class of hide exceeds the domestic supply the price will tend toward the price on the principal market outside Canada, plus the cost of transportation to Canada.

It was alleged by the Director that Canada Packers' ownership of tanneries gave it an advantage in relation to packers and tanners not so integrated in that as a producer of hides it had an assured outlet for hides and that, in its position as a tanner, it had an assured source of supply of hides. This allegation was strongly contested by Canada Packers and the considerations which were presented lead the Commission to conclude that no significant advantage from the viewpoint of the sale and supply of hides is derived by Canada Packers from its ownership of tanneries. It is clear that with respect to prices any failure on the part of Canada Packers as a meat packer to secure full market value for its hides would place it at a disadvantage in relation to other meat packers. On the other side, any tannery owned by Canada Packers which paid more than the market price for hides would be at a disadvantage in relation to other tanners. It should be said that the allegation of the Director was directed to the transfer of hides at market prices. On the supply side it is obvious that if international trade is proceeding normally there is an outlet at home or abroad for all supplies of hides and a source of supply at home or abroad for all classes of hides required for tanning purposes in Canada.

The factors discussed above are made somewhat clearer by an examination of the figures of the supply of hides in Canada and of the sources from which tanners secured supplies. These are given in Table 28.

Table 28

Canadian Cattle Hide Supply and Receipts by Tanners of Cattle Hides, 1949-57

(000's)

Canadian Cattle Hide Supply

Year	Total Canadian Slaughter					No. of Hides Exported (4)	% 4 is of 1	Canadian Hides Available to Tanners (5)	% 5 is of 1
	Total Canada (1)	Total Inspected (2)	% 2 is of 1	Total Other (3)	% 3 is of 1				
1949	1,843	1,439	78.1	404	21.9	772	41.9	1,071	58.1
1950	1,674	1,285	76.8	389	23.2	611	36.5	1,063	63.5
1951	1,591	1,150	72.3	441	27.7	426	26.8	1,165	73.2
1952	1,719	1,238	72.0	481	28.0	223	13.0	1,496	87.0
1953	2,004	1,469	73.3	535	26.7	333	16.6	1,671	83.4
1954	2,222	1,635	73.6	587	26.4	793	35.7	1,429	64.3
1955	2,271	1,702	74.9	569	25.1	823	36.2	1,448	63.8
1956	2,441	1,874	76.8	567	23.2	641	26.3	1,800	73.7
1957	2,602	1,986	76.3	616	23.7	963	37.0	1,639	63.0

Column 3 = 1 - 2
" 5 = 1 - 4

Receipts by Tanners of Cattle Hides (All Sources)

Year	Total Receipts (1)	Imported Hides (2)	% 2 is of 1	Packer Hides Canadian (3)	% 3 is of 1	Country Hides Canadian (4)	% 4 is of 1	Total Canadian Hides (5)	% 5 is of 1
1949	N.A.	N.A.	-	N.A.	-	N.A.	-	N.A.	-
1950	1,691	416	24.6	917	54.2	358	21.2	1,275	75.4
1951	1,464	311	21.2	834	57.0	319	21.8	1,153	78.8
1952	1,845	392	21.2	1,093	59.3	360	19.5	1,453	78.8
1953	2,093	392	18.7	1,231	58.8	470	22.5	1,701	81.3
1954	1,947	370	19.0	1,036	53.2	541	27.8	1,577	81.0
1955	2,305	535	23.2	1,226	53.2	544	23.6	1,770	76.8
1956	2,506	606	24.2	1,405	56.1	495	19.7	1,900	75.8
1957	2,255	527	23.4	1,196	53.0	532	23.6	1,728	76.6

Column 1 = 2 + 3 + 4
" 5 = 3 + 4

Sources: Dominion Bureau of Statistics, Livestock & Animal Products Statistics, The Leather Tanning Industry, and special Dominion Bureau of Statistics data on Canadian Tanners' Receipts.

(Exhibit H-113)

The situation with respect to calfskins is shown in Table 29.

Table 29

Canadian Calfskin Supply and Receipts by Tanners of Calfskins, 1949-57

(000's)

Canadian Calfskin Supply

Year	Total Canadian Slaughter: Total Canada (1)	Total Inspected (2)	% 2 is of 1	Total Other (3)	% 3 is of 1	No. of Skins Exported (4)	% 4 is of 1	Canadian Skins Available to Tanners (5)	% 5 is of 1
1949	1,285	766	59.6	519	40.4	N.A.	-	-	-
1950	1,282	773	60.3	509	39.7	591	46.1	691	53.9
1951	1,039	584	56.2	455	43.8	278	26.8	761	73.2
1952	968	568	58.7	400	41.3	742	76.7	226	23.3
1953	1,165	741	63.6	424	36.4	651	55.9	514	44.1
1954	1,254	821	65.5	433	34.5	598	47.7	656	52.3
1955	1,295	829	64.0	466	36.0	884	68.3	411	31.7
1956	1,336	892	66.8	444	33.2	883	66.1	453	33.9
1957	1,381	887	64.2	494	35.8	1,049	76.0	332	24.0

Column 3 = 1 - 2
" 5 = 1 - 4

Receipts of Tanners of Calfskins (All Sources)

Year	Total Receipts (1)	Imported Skins (2)	% 2 is of 1	Packer Skins Canadian (3)	% 3 is of 1	Country Skins Canadian (4)	% 4 is of 1	Total Canadian Skins (5)	% 5 is of 1
1949	N.A.	N.A.	-	N.A.	-	N.A.	-	N.A.	-
1950	956	304	31.8	407	42.6	245	25.6	652	68.2
1951	727	280	38.5	235	32.3	212	29.2	447	61.5
1952	453	244	53.9	194	42.8	15	3.3	209	46.1
1953	691	286	41.4	312	45.2	93	13.4	405	58.6
1954	666	281	42.2	309	46.4	76	11.4	385	57.8
1955	1,146	797	69.5	324	28.3	25	2.2	349	30.5
1956	867	600	69.2	239	27.6	28	3.2	267	30.8
1957	1,184	808	68.3	352	29.7	24	2.0	376	31.7

Column 1 = 2 + 3 + 4
" 5 = 3 + 4

Sources: Dominion Bureau of Statistics, Livestock and Animal Products Statistics, The Leather Tanning Industry, and special Dominion Bureau of Statistics data on Canadian Tanners' Receipts.

(Exhibit H-114)

The fact that hides and skins are purchased by tanneries on a selected basis to provide the most suitable raw material for the types of leather to be produced is reflected in Table 30, which shows what proportion of the purchases of Canada Packers' tanneries was filled from the Company's production of hides and skins.

Table 30

Comparison of Hides and Skins Production by Packinghouse Plants of Canada Packers Limited (Including Canadian Subsidiaries) with Purchases of Hides and Skins by Tannery Subsidiaries of Canada Packers Limited, 1948-58

(000's Hides and Skins)

Year	Canada Packers Limited Packinghouse Production (1)	Canada Packers Limited Tannery Purchases (2)	Canada Packers Tannery Purchases from Canada Packers Limited Packinghouses (3)	Tannery Purchases as % of Canada Packers Limited Packinghouse Production (4)	Tannery Purchases from Canada Packers Limited Packinghouses as % of Total Tannery Purchases (5)
Hides					
1948	562	605	230	40.9	38.0
1949	528	607	159	30.1	26.2
1950	462	606	201	43.5	33.2
1951	404	489	152	37.6	31.1
1952	421	525	159	37.8	30.3
1953	503	641	250	49.7	39.0
1954	564	618	235	41.7	38.0
1955	657	727	287	43.7	39.5
1956	707	708	295	41.7	41.7
1957	738	641	252	34.1	39.3
1958	713	624	207	29.0	33.2
				Average 38.8	Average 35.7
Skins					
1948	301	568	207	68.8	36.4
1949	298	430	130	43.6	30.2
1950	300	428	165	55.0	38.6
1951	218	255	125	57.3	49.0
1952	224	278	68	30.4	24.5
1953	279	354	150	53.8	42.4
1954	287	390	144	50.2	36.9
1955	351	524	145	41.3	27.7
1956	363	396	124	34.2	31.3
1957	348	452	154	44.3	34.1
1958	300	497	139	46.3	28.0
				Average 47.4	Average 33.9

Column 4 = per cent 3 is of 1
" 5 = per cent 3 is of 2

Sources: Canada Packers Limited Slaughter Records and Tannery Subsidiaries accounting records.

(Exhibit H-118)

In earlier years a considerable number of local tanneries were operated in Canada, many of them on a very small scale. Between 1918 and 1930 the number of establishments in the leather tanning industry dropped from 139 to 82. Of the 82 tanneries in 1930, there were 52 with less than 20 employees and 12 with 100 employees or more. The decline in number of establishments and the concentration of production in larger units has continued in the leather tanning industry. The number of tanning establishments reporting to the Dominion Bureau of Statistics declined from 78 in 1940 to 68 in 1950 and to 50 in 1958. The distribution of tanning establishments by value of factory shipments in 1958 is shown in Table 31.

Table 31

Size Distribution of Tanning Establishments by Value of Factory Shipments, 1958

Establishments having a Production Valued At	Number of Establishments	Number of Employees	Selling Value of Factory Shipments
Under $10,000	3	3	$ 12,706
$10,000 to $49,999	9	30	198,500
$50,000 to $99,999	2	14	155,480
$100,000 to $499,999	16	411	4,470,789
$500,000 and over	20	3,256	47,554,790
Total	50	3,714	$52,392,265

Source: Dominion Bureau of Statistics, The Leather Tanning Industry.

3. Acquisition of Tanneries by Canada Packers

The first acquisition of a tannery by Canada Packers occurred in 1936 when the Company bought the shares of Collis Leather Co. Limited of Aurora, Ontario. According to the information given the Commission this tannery had been engaged in tanning New Zealand calfskins and exporting high quality calf leather to the United States. In the early 30's there was an increase in the United States tariff which cut off that market and Collis Leather tried without much success to sell calf leather in Canada. The business was being liquidated when it was acquired by Canada Packers (Hearing, pp. 993-94). Canada Packers' reasons for acquiring Collis Leather Co. Limited were stated by Mr. W.F. McLean as follows:

" BY THE CHAIRMAN:

Q. Do I understand that the owner of Collis approached Canada Packers first, or did Canada Packers make the offer?

A. I am virtually certain that the owner of Collis approached Canada Packers, but through a third party. We purchased the shares I believe, and re-opened the business. The only reason we purchased it was because we had some pretty good advice in the leather industry, and we thought we could make a profit and enter the domestic field successfully with calfskins, which has turned out to be the case."

(Hearing, pp. 994-95)

The acquisition of Beardmore & Co. Limited of Acton, Ontario in 1944 was made by Canada Packers after the two principal shareholders of the business approached the Company with an offer to sell. After the sale one of the principal shareholders became a Director of Canada Packers and has looked after the leather division of Canada Packers. The reasons for acquiring Beardmore & Co. Limited were stated by Mr. W.F. McLean as follows:

" BY MR. WHITELEY:

Q. What were Canada Packers' expectations at that time?

A. To make a profit out of the leather business, out of the sole leather business. This was an entirely separate piece of leather business. The previous was entirely calfskin. That has turned out to be reasonably successful. We have made a reasonable profit on the sole leather business, although, goodness knows, the prospects now are not very good. It is a dying business, as we have already indicated."

(Hearing, pp. 995-96)

Mr. McLean's reference to sole leather tanning as a dying business was related to the figures for the production of sole leather in Canada which declined from a level of almost 42 million pounds in 1947 to less than 14 million pounds in 1951, as shown in Table 32.

Table 32

Production of Sole Leather in Canada, 1947-59

Year	Pounds Produced
1947	41,580,359
1948	37,655,765
1949	20,261,234
1950	18,122,452
1951	13,769,291
1952	14,093,548
1953	14,706,216
1954	12,634,637
1955	13,417,522
1956	13,105,959
1957	11,547,297
1958	12,039,577
1959	10,915,790

Source: Dominion Bureau of Statistics, The Leather Tanning Industry.

The fact that Canada Packers made a further investment in the sole leather field in the face of the shrinking market for sole leather by acquiring Anglo-Canadian Leather Co. Limited of Huntsville, Ontario in 1952 was explained by Mr. W.F. McLean in the following way:

"A. . . .

In the case of Anglo, the business was frankly on the rocks. They were making no money, or losing some. Their resources were not unlimited by any means, and we were able to buy that business. The business was offered at a price so low that we bought it knowing, or rather suspecting at that time certainly the sole leather business was a dying business. But the price at which it was offered, we felt, was so low, and with our knowledge of the sole leather business already, that we could certainly operate it without loss, but possibly not make much profit. As it has turned out, we have made some profit, a modest profit.

Now, as it has turned out, the sole leather business has shrunk to such an extent that we have closed that plant, although the company, Anglo, is still in

existence. It still sells its own leather. Anglo leather is now - the production is in the process now of being all turned over to Beardmore Plant. The production of both firms has shrunk. With belting disappearing and with sole leather declining, it has shrunk sufficiently that we can put the entire production of both firms through the one factory."

(Hearing, pp. 996-97)

In the same year that Anglo-Canadian Leather Co. Limited was acquired Canada Packers purchased 60 per cent of the shares of Eclipse Real Estate Company, which is the holding company for The Robson Leather Company Limited. The remaining share interest of 40 per cent was purchased by a relative of the original owner who became manager of the business. Since the change in ownership the business has been carried on successfully. The reasons for the acquisition of Robson Leather were stated in the following portion of Mr. W.F. McLean's evidence:

"A. . . . Robsons are entirely engaged in the production of side upper leather. At that time, in 1952, we were not manufacturers of side upper leather, except in a minor degree in Beardmore, who had started to manufacture a little. And the principal reason for the purchase of Robson was twofold; (a) it was offered at a good price. The previous owner had become disenchanted with the leather business, apparently, and (b) it was in the field of side upper leather, which is the only growing field in the leather business.

It has had substantial growth and I think it will continue to have.

It is in the only growing field of the leather business. We felt that our knowledge of the leather could be applied to the side upper leather field, when it had already become fairly clear that the heavy leather field in Canada was shrinking and that this would get us an entry into the only growing part of the leather industry."

(Hearing, pp. 998-99)

The proportion of total leather production accounted for by tanneries controlled by Canada Packers is shown in Table 33. This is a revision of a table appearing in the Statement of Evidence which had included total sales of Beardmore & Co. Limited but these figures were corrected in evidence by Mr. W.F. McLean to remove sales of plastic pipe which Beardmore & Co. Limited handles as a wholesaler (Hearing, p. 961).

Table 33

Sales of Leather by Tanneries Controlled by Canada Packers Limited, 1953-55

	Sales Volume (fiscal year)		
	1953	1954	1955
Anglo-Canadian Leather Co. Limited	$2,489,000	$2,136,000	$2,305,000
Collis Leather Co. Limited	2,650,000	2,947,000	3,557,000
The Robson Leather Company Limited	3,736,000	3,420,000	4,293,000
Beardmore & Co. Limited	5,194,000	5,006,000	5,836,000
Total Sales Volume controlled by Canada Packers Limited	$14,069,000	$13,509,000	$15,991,000
Gross Selling Value of Products for the Industry (calendar year)	47,996,000	42,609,000	48,398,000
Canada Packers' percentage share	29.1%	31.6%	32.2%

Sources: Dominion Bureau of Statistics, The Leather Tanning Industry; Canada Packers' Return of Information dated July 6, 1956; EKB 1010A to 1018I and Hearing, p. 961.

The position of the tanneries controlled by Canada Packers in the principal sections of the leather tanning industry is shown in company documents as follows:

" . . .

Sole Leather Poundage	April 1st to March 31st 1956 Pounds	% of Total	1955 Pounds	% of Total
Total Domestic Sales	13,533,000		12,138,000	
Beardmore Domestic Sales	5,220,000	38.57%	4,473,000	36.85%
Anglo Domestic Sales	4,381,000	32.37%	4,077,000	33.59%
Total Beardmore & Anglo Domestic Sales	9,601,000	70.94%	8,550,000	70.44%
Total Export Sales	679,000		1,048,000	
Beardmore Export Sales	317,000	46.69%	529,000	50.48%
Anglo Export Sales	168,000	24.74%	283,000	27.00%
Total Beardmore & Anglo Export Sales	485,000	71.43%	812,000	77.48%

Side Leather Footage	April 1st to March 31st 1956 Feet	% of Total	1955 Feet	% of Total
Total Domestic Sales	48,487,000		39,844,000	
Beardmore Domestic Sales	3,535,000	7.29%	2,266,000	5.69%
Robson Domestic Sales	10,587,000	21.83%	8,268,000	20.75%
Total Beardmore & Robson Domestic Sales	14,122,000	29.12%	10,534,000	26.44%
Total Export Sales	12,377,000		11,399,000	
Beardmore Export Sales	1,070,000	8.64%	1,010,000	8.86%
Robson Export Sales	936,000	7.56%	999,000	8.76%
Total Beardmore & Robson Export Sales	2,006,000	16.20%	2,009,000	17.62%
In addition to the above Beardmore & Co. Limited sold the following footage of Kip Upper Leather:				
Domestic	319,000		301,000	
Export	16,000		249,000	
Total	335,000		550,000	

. . .

Calf Leather	April 1st to March 31st 1956 Feet	% of Total	1955 Feet	% of Total
Total Domestic Sales	7,612,000		6,804,000	
Collis Domestic Sales	4,523,000	59.42%	3,929,000	57.75%
Total Export Sales	3,805,000		2,596,000	
Collis Export Sales	828,000	21.76%	490,000	18.88%

(EKB 1010A - 1018I)

Imports as well as exports are significant factors in the leather trade in Canada. As indicated above, exports are more significant in the case of side leather and calf leather than for sole leather. The totals of imports and exports of leather are given in Table 34.

Table 34

Imports and Exports of Unmanufactured Leather, and Total Canadian Production, 1935-60

(000's Dollars)

Year	Imports	Exports	Net Imports	Net Exports	Total Canadian Production[(a)]
1935	3,084	4,148		1,064	20,498
1936	2,768	6,017		3,249	23,294
1937	3,661	5,505		1,844	26,270
1938	2,612	4,217		1,605	19,661
1939	3,218	6,856		3,638	25,585
1940	3,167	6,521		3,354	28,474
1941	3,881	4,195		314	33,636
1942	4,193	5,742		1,549	42,207
1943	3,258	3,362		104	44,773
1944	2,976	2,910	66		45,011
1945	3,510	4,004		494	47,339
1946	4,182	7,656		3,474	56,999
1947	6,574	12,919		6,345	69,240
1948	4,985	9,241		4,256	59,982
1949	6,645	4,718	1,927		54,348
1950	8,396	6,035	2,361		59,093
1951	9,414	7,015	2,399		57,880
1952	7,619	4,455	3,164		46,602
1953	9,219	6,791	2,428		47,996
1954	7,764	7,026	738		42,609
1955	9,338	7,977	1,361		48,398
1956	10,010	8,888	1,122		51,858
1957	9,730	9,774		44	49,133
1958	9,740	10,455		715	52,392
1959	12,936	10,999	1,937		59,283
1960	10,611	8,932	1,679		(b)

(a) Figures to 1951 represent gross selling value of products; figures for 1952 and later years represent value of factory shipments.

(b) Not available.

Sources: Dominion Bureau of Statistics, Trade of Canada, and The Leather Tanning Industry.

Since 1955 imports of unmanufactured leather have amounted to between 18.6 and 19.8 per cent of gross Canadian production. In the case of sole leather, however, imports generally amount to less than 2 per cent of domestic production. The Canadian Customs Tariff on imports of sole leather is $12\frac{1}{2}$ per cent under the British Preference, $22\frac{1}{2}$ per cent under the General Agreement on Tariffs and Trade and $27\frac{1}{2}$ per cent under the General Tariff.

The evidence reviewed above regarding the reasons for the initial entry of Canada Packers into the different sections of the tanning industry is consistent with the stated objective of investing funds to secure a profitable return. The acquisition of Anglo-Canadian Leather Co. Limited was made, however, in the face of a shrinking market for sole leather and, in the words of Mr. McLean, the best Canada Packers expected was to operate the business "without loss, but possibly not make much profit." In view of the fact that Canada Packers always has more investment opportunities than it has funds for investment (Hearing, p. 1076), considerations other than the opportunity for securing an advantageous return must have governed the decision to acquire Anglo-Canadian Leather Co. Limited. From the sales figures of the controlled tanneries given above it will be seen that the acquisition of Anglo-Canadian Leather Co. Limited gave Canada Packers control of about 70 per cent of domestic production of sole leather. The inference is inescapable that the acquisition of Anglo-Canadian Leather Co. Limited must have been intended to bolster the position of Beardmore & Co. Limited by placing the control of the greater part of the production of the sole leather section of the tanning industry under Canada Packers' control.

CHAPTER IX

CANADA PACKERS AS A PRODUCER OF LARD, SHORTENING, MARGARINE AND SOAP

1. The Rendering of By-Products from Slaughtering

It has been indicated earlier that one of the advantages possessed by the large meat packing plant is its ability to make the most advantageous use of by-products from the slaughter of livestock. The figures given already of the disposition of slaughtered hogs and cattle show that a large portion of the slaughtered animal is not sold as meat but processed into various by-products, both edible and inedible.

The Statement of Evidence contains the following reference to this phase of meat packing:

> ". . . These so-called 'waste products' produce in absolute terms a great deal of additional revenue for the packer, though relatively they are not very large contributors to income. In 1955, the value of shipments of animal fats and lard by Canada Packers Limited and its meat-packing subsidiaries accounted for about three per cent of the value of shipments of all products by the same companies, and the value of shipments of tankage accounted for about two per cent of the value of total shipments.[1]
>
> Rendering is the process of cooking under steam pressure certain parts of slaughtered or dead animals in kettles or tanks and recovering from them valuable products. Raw materials used in rendering are various waste products of the slaughterhouse, such as bones and bony material, marrow ruffle and caul fat, stomach and entrails, and blood; meat trimmings and bones from meat markets; and dead animals from the stockyards or any other source. According

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1 Returns of Information made to the Dominion Bureau of Statistics, 1955.

to the nature and condition of the raw material used, the rendering process will produce either edible or inedible products.

Edible products yielded by the rendering process are principally lard from hogs, oleo oil, oleo stearine and edible beef tallow from cattle and calves, and edible mutton tallow from sheep and lambs. Oleo oils are used in the manufacture of margarine; oleo stearine and edible tallow in the manufacture of shortening.

In the case of inedible rendering, the tallow and grease which rise to the top of the tank after the cooking process are drawn off from the cooked mass and are used principally in the manufacture of soap. The solid residue or tankage is removed from the tank, dried, ground and used for feed concentrates instead of fertilizer as used to be the case.

Rendering is done by slaughtering and meat-packing establishments which usually render their own waste materials, and also by specialized rendering companies which buy waste materials from collectors or purchase them directly from meat markets, etc. According to the Dominion Bureau of Statistics, in 1955 there were only 15 establishments across Canada, classified as specialized rendering establishments.[1]
. . ."

(Statement, pp. 161-62)

The Census of Industry statistics for 1955 showed that the specialized rendering establishments produced less than 20 per cent of the total production of rendered products reported.

2. Production of Lard

The production of lard is closely related to the production of pork. An exhibit filed by Canada Packers gives the relationship as follows:

". . .

Lard is a by-product of the hog slaughtering operation. From each hog slaughtered approximately 18-1/2 pounds of lard is produced. Therefore, there is a close relationship

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1 Dominion Bureau of Statistics, The Animal Oils and Fats Industry, 1955.

between the commercial production of pork and the production of lard. We can assume that since the Slaughtering and Meat Packing Industry group produce 86.0 per cent of the total production of pork that they produce the same percentage of the total production of lard."

(Exhibit H-188)

According to the same exhibit the production of lard by firms reporting in the slaughtering and meat packing industry amounted to 93,927,000 lb. in 1954, so that the total production of lard in the same year was estimated at 109,217,000 lb.

Lard is packaged in refined form for household use and is also supplied to industrial accounts such as bakers. It may also be used as a raw material in the edible oils processing industry to produce other products. Edible tallow produced by rendering edible fats from the slaughter of beef, calves, sheep and lambs is also supplied as a raw material to the edible oils processing industry (Hearing, p. 1002).

Canada Packers' position as a producer of lard is largely a reflection of its position as a slaughterer of hogs. It is also an edible oil processor and may use some of its production of lard as raw material in its edible oil refinery. In its dual position and with the substantial output of lard Canada Packers is in a position to exercise a significant influence on the domestic market for lard as the following letter written by Mr. N.J. McLean on March 15, 1956 to another official of the Company indicates:

"On the basis of the Shortening Department using .. 80,000 lbs. of Lard weekly, we shall actually be in a short position from today to next Fall -

estimated shortage -	May 15th -	390,000 lbs.
	Oct. 1st -	2,800,000 "

Surely with this forecasted position, there is no need to sell Lard in Canada from .. ½¢ to 1¢ per pound lower than today's cost of bringing in American.

Even if it is necessary to buy a few tanks from weak Canadian sellers, I would do this and firm up our prices immediately to a decent margin over the cost of American."

(EKB 1565)

The Company Statement of Position made the following comment on this situation:

> "If the Respondent has power to raise lard prices at times by purchases of moderate quantities of lard, it must have such power as a purchaser. There can be no connection between this alleged power and the Respondent's position as a producer of lard. Furthermore, if the alleged power exists, other purchasers of lard must also possess it."

This argument, however, does not distinguish between Canada Packers' dual position as a producer and user of lard or weigh its position as the largest producer of lard in Canada. It is clear that Canada Packers' ability to influence the market in the situation described would be dependent upon the fact that it had a large part of Canadian production of lard in its control and that it had an outlet for lard in its edible oil refining operations. A firm engaged only in processing oils would not endeavour to raise the price of one of its raw materials.

3. Shortening and Margarine

The development of manufacturing techniques in the edible oils processing industry, which Dr. Clark described as the most complex in any of the food lines, has made possible the interchange of oils from a variety of sources as raw material for the same end product. This has meant that animal fats, such as lard and tallow, are in competition with vegetable oils, such as cottonseed, palm or soybean, or with marine and fish oils. Dr. Clark said in evidence:

> "Q. Yes; and have there been any recent technological advances that have been made in this particular industry?
>
> A. Oh yes, there have been. More and more the raw material is becoming unimportant. That is, if you want to produce a final product, more and more you may interchange the starting materials. If you want to produce shortening of a particular quality, you might produce it from almost entirely animal fats, or a mixture of animal fats and vegetable fats, or a mixture of vegetable fats, and you can also get quite large quantities of marine oil into this as a starting material."

(Hearing, p. 1003)

The technology of edible oils processing has developed and is continuing to develop so rapidly that the necessary "know how" for the successful operation of a plant is contained within the companies which have developed the techniques and is not available elsewhere (Hearing, pp. 1025-26). The investment and size of plant for successful operations are on a large scale, as Dr. Clark pointed out:

> "Q. Then, Dr. Clark, I want to ask you a general question as to what you can tell the Commission about the cost of building and equipping a completely integrated edible oils plant?
>
> A. To build a completely integrated edible oils plant, I think, no one could consider building one with less than an annual production of about ten million pounds per year. Under that it would be quite uneconomical. The cost of such a plant would be about $1,250,000, as near as our engineering department can tell me. I have checked the estimate with them."
>
> (Hearing, p. 1024)

Only a few companies operate complete edible oils processing plants in Canada. Prior to 1960 there were four firms with seven plants. Two additional firms had plants under construction in 1960. Partial processing plants may also be operated, in which oils purchased from complete plants are made into finished products. Plants of a still less involved nature are those in which finished oils made by processing plants are blended to make margarine or shortening. Another branch of the edible oils industry consists of plants for crushing seeds and refining the oils to produce refined salad and cooking oils. Finally there are firms which engage only in the packaging of products made in processing plants. Table 35, which was submitted by Canada Packers, lists the plant locations of firms engaged in the edible oils industry.

Table 35

Plant Location - Edible Oil Processors

	Complete Processing	Partial Processing & Packaging	Crushing & Refined Salad Cooking Oils	Packaging
Burns & Co. Limited		Winnipeg Kitchener		
Canada Packers Limited	Toronto Montreal Winnipeg	Edmonton Vancouver		
Wilsil Limited				Montreal
The Canada Starch Co. Ltd.			Montreal	
Co-Operative Vegetable Oils Limited			Altona	
E.F. Drew & Company	Ajax (1960)			
Gattuso Corp. Ltd.				Montreal
Kraft Foods Ltd.				Toronto Montreal
Lever Bros., Limited	Toronto			
Monarch Fine Foods Ltd.				Toronto
Pasquale Brothers Ltd.				Toronto
Planters Nut & Chocolate Co. Ltd.		Toronto		
Primo Importing & Distributing Co. Ltd.				Toronto
Procter & Gamble Company of Canada Limited	Hamilton Montreal			
Saskatchewan Wheat Pool			Saskatoon	
St. Lawrence Starch Co. Ltd.			Toronto	
J.M. Schneider Limited		Kitchener		
Standard Brands Ltd.				Ingersoll Calgary
Swift Canadian Co. Limited	Toronto	Winnipeg Edmonton Vancouver		
Toronto Macaroni & Imported Foods Ltd.				Toronto
Western Seed Processors	Lethbridge (1960)			

Source: Canada Packers Limited survey.

(Exhibit H-124)

As already indicated, margarine and shortening may be made in partial processing plants or in complete plants. Table 36 lists the plant locations of firms which manufacture margarine or shortening in either way.

Table 36

Plant Location - Margarine and Shortening Manufacturers

		Margarine	Shortening
Best Foods Ltd.	Ayr	x	
Burns & Co. Limited	Winnipeg	x	x
	Kitchener	x	x
Canada Packers Limited	Toronto	x	x
	Winnipeg	x	x
	Vancouver	x	x
E.F. Drew & Company Inc.	Ajax (1960)		x
Kraft Foods Ltd.	Toronto	x	x
Lever Bros., Limited	Toronto	x	x
Monarch Fine Foods Ltd.	Toronto	x	x
Procter & Gamble Company of Canada Limited	Hamilton		x
	Montreal		x
J.M. Schneider Limited	Kitchener		x
Standard Brands Ltd.	Ingersoll	x	x
Sun Brite Products Ltd.	Toronto	x	
Standard Brands Ltd.	Ingersoll, Calgary		x
Swift Canadian Co. Limited	Toronto	x	x
Westminster Foods	Vancouver	x	

(Exhibits H-124, H-125, H-126)

Three manufacturers of margarine package the product under customers' brand names on a custom basis. Some foreign manufacturers sell bulk salad and cooking oils or bulk shortening to customers in Canada and one importer sells imported salad and cooking oils to the retail trade.

The customs duties on finished edible oils are generally 20 per cent and on crude oils, 10 per cent under the Most Favoured Nations Tariff. Duties under the British Preferential Tariff are generally 15 per cent on finished oils and crude oils may be free of duty. Soybean oil has a rate of 20 per cent under the Most Favoured Nations Tariff and 15 per cent under British Preferential on either crude or refined edible oil (Hearing, pp. 1042-43).

Canada Packers is the only one of the integrated edible oil processors which produces products for all branches of the trade. Swift Canadian Co. Limited does not manufacture oils for the retail trade. Procter & Gamble Company of Canada Limited also does not manufacture oils for the retail trade and does not produce margarine. Lever Bros. Limited does not sell oils and shortening for the retail trade (Hearing, p. 1016).

The supply of raw materials for Canada Packers' production of edible oils is referred to in the Company's return of information as follows:

> "The raw materials - vegetable oils, fish oils, and edible tallow - are bought in world or national markets. Vegetable oils come from Western Ontario, U.S., Africa, Indonesia and elsewhere. Fish oils are bought from the fishing companies on both coasts. Animal fats are from the packer's own production or from other packers. The bulk of the raw material is vegetable oils bought through brokers in the United States.
>
> Oils and fats are bought in the crude state, in ship or tank-car lots."

Canadian Vegetable Oil Processing Limited of Hamilton, Ontario, which Canada Packers acquired in 1950, was engaged in the crushing of soybeans to produce crude oil for edible oil processing and meal for the manufacture of feeds. In the period 1952 to 1956 its crushings of soybeans ranged from about 14 per cent to over 16 per cent of the Canadian total (EKB 1025-1029).

Canada Packers' shares of the principal product lines of the edible oils industry are shown in Table 37.

Table 37

Canada Packers Limited - Shares of Canadian Production of Specified Edible Oil Products, 1953-58

(000's Pounds)

	Margarine			Retail Shortening			Bakers' Shortening		
Year	Total Canada Production[a]	Canada Packers Limited Production[b]	Canada Packers Limited % of Total Production	Total Canada Production[a]	Canada Packers Limited Production[b]	Canada Packers Limited % of Total Production	Total Canada Production[a]	Canada Packers Limited Production[b]	Canada Packers Limited % of Total Production
1953	110, 499	26, 780	24.2	52,315	20, 700	39.6	83, 394	32, 203	38.6
1954	115,870	27, 343	23.6	63, 775	27, 154	42.6	92, 939	36, 439	39.2
1955	125, 094	23, 481	18.8	61, 111	25, 803	42.2	92, 634	37, 558	40.5
1956	124, 707	21, 971	17.6	62, 130	24, 078	38.8	95, 114	38, 209	40.2
1957	130, 645	19, 583	15.0	59, 232	22, 705	38.3	92, 816	40, 293	43.4
1958	145, 606	23, 049	15.8	62, 946	24, 605	39.1	100, 361	39, 196	39.1
	Cocoanut Oil			Salad & Cooking Oil			Total All Products		
1953	12, 452	4, 677	37.6	22, 969	9, 311	40.5	281, 629	93, 671	33.3
1954	13, 373	4, 706	35.2	28, 571	11, 373	39.8	314, 528	107, 015	34.0
1955	12, 966	5, 122	39.5	23, 278	6, 907	29.7	315, 083	98, 871	31.4
1956	14, 606	6, 311	43.2	26, 860	7, 317	27.2	323, 417	97, 886	30.3
1957	14, 162	6, 722	47.5	30, 592	8, 722	28.5	327, 447	98, 025	29.9
1958	14, 908	7, 008	47.0	36, 239	11, 749	32.4	360, 060	105, 607	29.3

(a) All firms reporting production of Edible Oil Products to Dominion Bureau of Statistics.

(b) Includes Canadian subsidiaries.

Source: Special tabulation prepared by Dominion Bureau of Statistics Food & Beverages Section.

(Exhibit H-127)

In 1956, Canada Packers considered that its branded lines of shortening had about 37 per cent of the Canadian retail market, while those of Procter & Gamble Company of Canada, Limited had about 48 per cent (EKB 2169). The bulk of the business is thus in the hands of the two firms, with Swift Canadian Co. Limited having a large part of the remainder. It will be seen from Table 37 that bakers' shortening constitutes about 60 per cent of the total production of shortening in Canada.

Canada Packers' share of margarine production had been declining but in the period subsequent to that shown in the table its position improved (Hearing, p. 1020).

4. Promotion of the Sale of Branded Lines of Shortening and Margarine

Advertising is considered by Canada Packers as an important factor in the sale of branded lines of shortening and margarine to retail stores and in creating consumer preference for such brands. The Company also sells unadvertised brands of both products. The proportions of Canada Packers' sales of retail brands of shortening and margarine which have been supported by advertising are shown in Table 38.

Table 38

Canada Packers Limited[a] - Proportion of Sales of Retail Brands of Shortening and Margarine Supported by Advertising, 1954-58

(000's Pounds)

Shortening

Year	Canada Packers Limited Production of Retail Shortening	Quantities of "Domestic" Brand Shipped	Percentage "Domestic" of Total Retail Shortening
1954	27,154	17,564	64.7
1955	25,803	18,113	70.2
1956	24,078	16,740	69.5
1957	22,705	15,560	68.5
1958	24,605	15,380	62.5
Total -	124,345	83,357	67.0

Margarine

	Canada Packers Limited Production of Margarine	Quantities of "Margene" Brand Shipped	Percentage "Margene" is of Total Production
1954	27,343	13,884	50.8
1955	23,481	9,303	39.6
1956	21,971	8,406	38.3
1957	19,583	7,891	40.3
1958	23,049	7,199	31.2
Total -	115,427	46,683	40.4

(a) Includes Canadian subsidiaries.

Sources: Special tabulation prepared by Dominion Bureau of Statistics Foods and Beverages Section, and Canada Packers' accounting records.

(Exhibit H-129)

It is apparent from Table 38 that an increasing proportion of margarine is being sold by Canada Packers by merchandising methods not involving advertising. This has led to a distinction between advertised brands and what are termed "price brands": "Margene" is an advertised brand of margarine sold by Canada Packers, while "Tulip" is a price brand. Dr. Clark gave the following evidence as to the distinction between the two brands:

" BY THE CHAIRMAN:

. . .

Q. But there is a distinction, besides name and package?

A. Yes, they are not made of the same raw materials. Margene is an entirely vegetable product and Tulip is made of other materials.

Q. But the term 'price brand', what does that mean?

A. It means that it is not supported by national advertising. It is a brand which you are really trying to promote on the basis of just merchandising in the store, and trying to get the consumer to accept it. And it carries less price; there is no doubt about that."

(Hearing, p. 1083)

Dr. Clark attributed the decline for a time in Canada Packers' production of margarine to a delay in fully developing the potential sales of price brands of margarine.

" BY MR. DAVIDSON:

. . .

Q. . . . To what do you attribute the decline over the period of some years in Canada Packers' share of the margarine market?

A. Oh, I can tell you what I attribute it to. I am not sure that everybody will agree on this. But what happened was, first of all, that we were the first producer in the industry, and, automatically, under those circumstances, you start with a pretty good share. We continued to enjoy a good

share, but we stayed with an advertised brand, and I don't think that we quickly enough recognized the fact that what we now call price brand margarines were going to get the popularity they did get with the consumer. We did not press our merchandising of price brand margarines as hard as we might have. I think perhaps we were first with the price brand, but we still did not recognize the potential. And it is only in the last two or three years that we have really recognized that situation.

Since that has happened, then, our volume of margarine has started to go up again.

BY THE CHAIRMAN:

Q. What do you mean by 'recognize'. What did you do by way of recognizing it?

A. The thing to do is to make sure that you get full coverage and get into the chain stores, and that you have the product available where it will be well displayed, without trying to create a market by advertising, but to go in with a brand which is very economical in price."

(Hearing, pp. 1079-80)

Advertising expenditures on shortening and margarine have formed a large part of the total expenditures on advertising, as shown in Table 39.

Table 39

Canada Packers Limited - Advertising Expenditures, Selected Fiscal Years, 1947-56

(000's Dollars)

Products	Fiscal 1947	Fiscal 1951	Fiscal 1953	Fiscal 1955	Fiscal 1956	Brand Name Featured
Margarine	-	510.1	355.6	325.1	310.5	Margene
Shortening	47.8	104.6	346.3	530.5	556.3	New Domestic
Soaps	35.4	179.6	278.9	603.8	778.0	Maple Leaf
Lard	.5	14.4	21.1	27.9	26.7	Maple Leaf
Cooked Meats	2.6	28.0	70.8	130.2	203.9	Maple Leaf
Smoked Meats	26.4	97.8	144.3	191.4	283.9	Maple Leaf
Canned Meats	32.6	64.0	89.2	121.8	214.8	Klik, Kam, York
Gelatine	-	-	-	-	-	-
Process Cheese	23.2	17.3	16.8	23.4	18.7	Maple Leaf
Peanut Butter	-	12.0	16.7	51.2	98.7	York
Ice Cream	-	7.6	2.4	4.7	-	York
Canned Goods	.3	13.0	65.2	122.8	108.6	York
Ready-to-Serve	-	-	-	-	50.9	York
Frozen Foods	4.5	11.4	6.3	7.4	3.8	York
Pickles & Olives	-	.1	2.0	11.7	8.6	York
Pet Foods	-	12.4	2.7	26.4	9.8	Chum
Sundry Products	25.8	99.1	111.3	106.5	63.5	
Sub-Total	199.1	1,171.4	1,529.6	2,287.0	2,736.7	
Feed & Fertilizer	51.0	92.8	143.3	163.7	179.9	Shur-Gain
Grand Total	250.1	1,264.2	1,672.9	2,450.7	2,916.6	

Source: Canada Packers Limited, Return of Information dated October 12, 1956.

In the period 1951 to 1956, the dollar volume of margarine advertising had declined while increasing substantially in the case of shortening. The relation of advertising expenditures to sales volume is shown in Table 40.

Table 40

Canada Packers Limited - Relation of Advertising Expenditures to Sales Volume, Fiscal Years 1951, 1953, 1955, 1956

Fiscal Year Ending	Per Cent of Company's Total Sales		Per Cent of Company's Advertising	
	Shortening	Margarine	Shortening	Margarine
1951	3	2	8	40
1953	3	2	21	21
1955	4	2	22	13
1956	4	1	19	11

Source: Canada Packers Limited, Return of Information dated October 12, 1956.

In comparison with other divisions of Canada Packers' packinghouse operations, such as the beef division, produce division and provision division, the edible oils division has earned over the years the largest profit in dollars. However, larger dollar profits have been secured, on the average, from some non-meat packing divisions, particularly feed and fertilizer (Hearing, pp. 1124-25).

Some indication of advertising expenditure per unit of sale is given in a Company document, dated May 16, 1957 (EKB 1797A-1801B), from which the following figures for Canada Packers' fiscal year ended in 1957 are taken:

Product	Advertising Expenditure	Volume of Shipments	Cost per Pound
Margene	$263,300	7,891,000 lb.	3.34¢
Domestic [Shortening]	399,900	15,560,000 "	2.57
Snowflake ["]	14,100	8,525,000 "	.17
Lard	14,600	14,850,000 "	.10

It was pointed out by Dr. Clark that where leading brands of shortening and margarine manufactured in Canada are also made in the United States, as is the case with a number of brands, the products have whatever assistance is given by the overflow into Canada of national advertising in the United States (Hearing, p. 1038).

There has been a development on a considerable scale of what are known in the trade as "price off deals". This system of merchandising involves the manufacturer making a reduction in the regular price of a branded product and printing on the package the amount of the reduction which is being made. Two tables were filed by Canada Packers to show the extent to which this type of selling is being used in the marketing of shortening and margarine. Table 41 gives information on price off deals in the marketing of shortening by the three principal manufacturers in the period 1955 to 1960 and Table 42 gives similar information for margarine.

Table 41

Estimated Percentage Share of Retail Shortening Sold in "Price Off Deals"

Month	Year	Canada Packers Limited		Procter & Gamble Co. of Canada Ltd.		Swift Canadian Co.Ltd.	Total Consumer Sales
		Domestic	Snowflake	Crisco	Fluffo	Jewel	
June-July,	1955	0.1	-	16.7	0.5	-	5.0
Aug.-Sept.		40.4	-	6.5	-	0.1	13.3
Oct.-Nov.		29.4	16.6	25.1	-	4.9	17.6
Dec.-Jan.,	1956	15.8	44.4	15.1	-	14.5	16.0
Feb.-Mar.		46.8	27.8	5.8	12.2	9.4	22.1
Apr.-May		24.5	16.3	36.3	9.5	2.9	21.5
June-July		10.8	21.1	23.1	2.8	-	11.7
Aug.-Sept.		11.4	22.6	17.5	1.3	-	10.6
Oct.-Nov.		9.8	35.1	26.8	10.5	27.6	18.8
Dec.-Jan.,	1957	12.8	48.6	36.5	12.2	58.2	28.9
Feb.-Mar.		36.6	51.2	17.8	4.4	65.1	30.1
Apr.-May		60.6	52.0	26.8	-	40.6	34.1
June-July		36.6	41.7	22.5	-	21.5	23.0
Aug.-Sept.		17.3	57.7	12.8	-	12.6	16.0
Oct.-Nov.		9.1	53.9	16.7	0.1	43.3	18.4
Dec.-Jan.,	1958	6.5	32.2	4.4	6.2	56.2	15.1
Feb.-Mar.		3.3	44.5	3.3	17.5	41.5	15.2
Apr.-May		15.7	48.9	23.1	13.4	35.1	22.5
June-July		44.8	34.0	18.0	7.2	34.6	23.5
Aug.-Sept.		30.6	39.0	17.4	4.7	54.8	23.0
Oct.-Nov.		21.7	52.4	26.3	12.6	52.7	26.9
Dec.-Jan.,	1959	15.6	42.6	9.2	27.8	19.7	19.4
Feb.-Mar.		17.3	27.3	26.6	22.4	9.3	20.7
Apr.-May		41.2	34.0	9.9	34.0	29.5	26.6
June-July		48.8	57.6	21.6	45.2	49.5	39.1
Aug.-Sept.		39.8	72.4	23.2	24.6	35.1	34.6
Oct.-Nov.		56.1	77.9	32.5	36.7	29.3	42.4
Dec.-Jan.,	1960	74.2	45.3	19.5	46.8	48.0	42.5
Feb.-Mar.		76.6	26.6	38.9	48.2	40.1	45.5
Apr.-May		79.8	55.7	39.1	58.5	29.5	50.7
June-July		74.4	67.9	36.4	31.4	24.7	43.6

Source: Nielsen Market Surveys.

(Exhibit H-130)

Table 42

Estimated Percentage Share of Retail Margarine Sold in "Price Off Deals"

Month	Year	Canada Packers Limited Margene	Lever Brothers Limited Good Luck	Lever Brothers Limited Solo	Monarch Margarine Company Monarch	Standard Brands Ltd. Blue Bonnet	Kraft Foods Ltd. Parkay	Total Consumer Sales
June-July,	1955	-	-	-	21.7	-	-	2.8
Aug.-Sept.		-	-	-	1.8	-	-	3.4
Oct.-Nov.		-	-	-	0.3	-	-	0.9
Dec.-Jan.,	1956	-	-	-	-	-	-	0.2
Feb.-Mar.		0.5	12.2	-	-	5.6	-	2.1
Apr.-May		2.0	54.2	-	-	36.6	-	11.3
June-July		-	25.6	-	-	22.3	-	5.3
Aug.-Sept.		-	4.2	-	-	10.1	-	1.4
Oct.-Nov.		-	-	-	-	1.0	-	0.1
Dec.-Jan.,	1957	-	-	-	-	0.8	-	0.1
Feb.-Mar.		1.9	-	-	-	43.9	-	4.9
Apr.-May		0.1	-	-	-	15.7	-	1.8
June-July		-	-	-	0.1	2.1	-	0.3
Aug.-Sept.		-	-	-	-	3.4	-	0.4
Oct.-Nov.		-	-	-	-	35.2	-	4.8
Dec.-Jan.,	1958	17.4	-	-	-	4.7	-	1.5
Feb.-Mar.		50.5	-	-	-	37.7	-	7.9
Apr.-May		38.5	3.5	-	-	13.2	-	4.2
June-July		55.2	1.6	-	-	1.4	-	3.0
Aug.-Sept.		46.5	30.0	5.9	-	12.3	-	7.9
Oct.-Nov.		60.5	55.0	8.7	-	26.0	0.1	13.5
Dec.-Jan.,	1959	43.8	56.3	2.6	-	1.9	0.7	8.5
Feb.-Mar.		61.4	51.4	0.5	-	0.2	1.4	8.1
Apr.-May		44.2	65.6	-	-	-	0.9	8.3
June-July		66.7	52.4	-	-	-	1.6	8.0
Aug.-Sept.		41.7	21.5	-	-	21.3	3.2	6.8
Oct.-Nov.		63.9	79.0	-	-	57.9	3.0	17.7
Dec.-Jan.,	1960	50.5	67.0	2.9	-	9.1	3.3	10.1
Feb.-Mar.		66.7	64.9	1.1	-	52.8	1.7	17.4
Apr.-May		52.3	65.0	-	-	41.4	-	14.9
June-July		76.5	18.4	-	16.0	4.3	-	6.6

Source: Nielsen Market Surveys.

(Exhibit H-131)

It will be noted in comparing the percentages in the column "Total Consumer Sales" in the two tables that price off deals for shortening are estimated to embrace a much larger proportion of the total trade than in the case of margarine. This would be in keeping with the evidence, previously reviewed, that sales of price brands of margarine form a large part of total sales of this product. Such brands being sold on a price basis by the retailer would not offer a basis for price off deals because no regular price has been established.

Although Tables 41 and 42 indicate that price off deals in the marketing of shortening and margarine were offered in recent years in each period of the year, Dr. Clark explained that this did not mean that the manufacturers had deals available at all times.

"A. . . . these price-off deals are only for short periods, and they are five, or six, or seven times a year, for a three-week period. For that time you will ship Domestic shortening at 3¢ off, or for a two-week period. And then you will not replenish that stock after whatever time limit you set.

Q. So that the table does not mean that these things were continuous?

A. No.

Q. It just means that there was a deal in that period?

A. Yes.

BY THE CHAIRMAN:

Q. Does it work this way, that you produce a certain amount and on the package you have '3¢ off' and you fix a time during which you anticipate that the stock will last?

A. Yes.

Q. And when that stock is used up ---

A. That's it.

Q. When it is used up, you go back to your regular price?

A. Yes."

(Hearing, p. 1086)

5. Discussions among Edible Oil Manufacturers

The Statement of Evidence reviews a number of documents from the files of Canada Packers which contain references to discussions by officials of Canada Packers with competitors about prices of shortening and margarine. Dr. Clark gave the following evidence as to the general relationship of Canada Packers with competitors in the edible oils field:

"Q. What do you say as to whether there has been any consultation between your company and your competitors as to the price of shortening and margarine?

A. Well, I say this, that there has, on occasion, been discussions among the industry members, and in those discussions, the level of price that prevails may have been discussed. But there has been no price agreement, and I would say further that within the industry, considering the fewness of the members of the industry, that each of these competitors is aware of the price at which other people, their competitors, are selling products, shortening and margarine; and that in the circumstances each of them is aware that an action on its part will induce a reaction from their competitors. Each of them, though, would like to increase the through-put through their plants, because if they could do that, they would have lower costs. But they know very well, I think, that a price reduction made with the idea of lowering costs will induce price reduction from competitors who will take whatever steps are necessary to retain the share of market they presently enjoy, and that there is therefore, a reluctance, if you like, to change prices relative to competitors.

Q. Are you now speaking as to the prices for shortening and margarine and other processed edible oils?

A. I am speaking mainly in this context, not of retail margarine or retail shortening, or the salad and cooking oils. I am speaking of the bulk shortening.

Q. Bulk shortening?

A. Yes."

(Hearing, pp. 1054-55)

Mr. W.F. McLean said that it is the policy of Canada Packers and as far as he knew of all other companies selling bulk shortening to publish list prices which contain prices for various quantities from a single drum to a carload (Hearing, p. 1104). It is also the policy of Canada Packers to sell bulk shortening at list prices and salesmen have no trading privileges as in the case of meat (Hearing, p. 1118).

The following extract from a letter of April 22, 1953 written by Mr. R.G. Barton, Assistant Plant Manager, Winnipeg to Mr. N.J. McLean at Toronto, indicates that Canada Packers' policy in regard to maintaining list prices of shortening has been in effect for a considerable time:

> ". . .
>
> There is not the slightest doubt but that Swifts are not holding to any definite prices on either hydrogenated or household Shortening, and of course, with us being held to a definite price it makes it difficult for us to improve our position."
>
> (EKB 1870)

A reply written by Mr. H.J. Book, then Assistant Manager of the Shortening and Margarine Department, Toronto, on April 23, 1953 contained the following:

> ". . .
>
> We get complaints of Swift's making an odd low sale on some of our territories and they sometimes get complaints that some of our products have been sold at low prices. Each time we get a complaint on them we call and talk the matter out and straighten out the situation. They call us from time to time, and we check and if we find a low sale is made we have no hesitation in telling them and we definitely clear with the person responsible to get the price on the proper basis.
>
> Our policy here is to build up and strengthen the shortening and margarine price structure. . . .
>
> You may have the correct dope on Swift's cutting prices on Trico, and I do not doubt for a minute but that you have the correct dope on the Jewel selling price in Winnipeg.

However, I think you certainly should take steps to talk the matter out with them and see if you cannot get them up on the right track.

The local people tell us definitely that they have advised their Western plants as to the proper price at which Trico is to be sold and they have been assured that the price will be held. They, however, state that the price of Jewel is left in the hands of the manufacturing plant.

. . ."

(EKB 1879-1881)

Exchange of information among edible oil manufacturers at the time of any price change is indicated by the documentary evidence. The following appears in correspondence between two Canada Packers officials on June 27, 1955:

". . .

NEW DOMESTIC'S consumer premium was originally 2¢ per pound. The Jewel deal increased this spread to 4¢ per pound.

. . .

Swift and P & G will be questioned as to their future price level during the next several days, and a recommendation will be submitted on the price of 'NEW DOMESTIC'.

Personally I feel a 2¢ premium over Jewel and Fluffo is as much as 'NEW DOMESTIC' can stand."

(EKB 669-670)

A further letter on the same subject to the President of Canada Packers by Mr. B.R. Walker, Manager of the Shortening Department, on July 5, 1955 contained the following:

"The following single case prices apply on retail shortenings this week - 4 case shipments being priced at 3/4¢ below the single case price.

'NEW DOMESTIC'	28¢
Jewel	26¢
Fluffo	25¢
'SNOWFLAKE'	22¢ (special price)

. . .

Swifts advised yesterday that they had discontinued their deal of ' 1 case Free in Ten ' on Jewel.

P & G advised they would not raise their Fluffo price to 26¢.

. . ."

(EKB 671-673)

The importance which Canada Packers attached to the maintenance of list prices of shortening is indicated in a letter of June 25, 1957 from Mr. N.J. McLean to Mr. W.W. Lasby:

"Recently, one of our Plants decided, as a result of a special local situation, to lower the price of 'Snowflake', without first clearing with Toronto.

For a few days, it looked as if this might lead to a general reduction in all Shortening prices right across the country.

Fortunately, this did not happen.

To avoid such risks in future, it has been decided that no Plant may lower or raise Shortening or Margarine prices without first clearing with me. . . .

. . ."

(EKB 1084)

In recent years some large users of shortening have bought edible oil in liquid form which is delivered to the customer in tank trucks and placed in the customer's storage tanks. The customer puts the oil through a rotator and uses it as shortening in his plant. This is a cheaper way of handling the material and Canada Packers' price list provides for a tank truck price in quantities of 14,000 lb. or more (Hearing, p. 1108).

Suggestions that customers might be supplied with bulk oil in quantities of less than 14,000 lb. at the price for the larger quantity or that accounts might be sought by offering to install tanks on customers' premises gave rise to discussions between representatives of Canada Packers and Procter & Gamble Company of Canada, Limited. In reply to an inquiry from Canada Packers head office, Mr. H.C. Farnsworth, Montreal Plant Manager, wrote to Mr. N.J. McLean on August 29, 1957:

". . .

The suggestion that we have solicited or made deals for less than .. 14,000 lbs. on tank truck deliveries is completely wrong. We have stuck to the .. 14,000 lb. minimum without exception, since it was established and the statement that we have endeavoured to line up two other accounts which normally buy from P. & G. for tank truck deliveries of less than .. 14,000 lbs. is also wrong. No such offer has been made to any other account.

To the best of my knowledge and so far as I have been able to find out by questioning Sheff Brown closely, the only tanks we have installed are the tanks at Humpty Dumpty and at Dulac, and these are on a 14,000 tank truck delivery basis.

No other installations have been solicited or even discussed, whether for .. 10,000 - 14,000 lbs. - or any other basis.

It looks to us as if Mr. Harris is on a fishing expedition.

. . ."

(EKB 1709-1710)

On September 10, 1957 Mr. N.J. McLean wrote to Mr. Farnsworth:

"Mr. Harris of P. & G. came up for lunch today.

We had a perfectly frank discussion of the Shortening situation across the country, - particularly in Quebec.

You will be pleased to learn that he seemed entirely satisfied with the assurances we had given him re your recent actions.

We know you will follow this matter closely, and do your best to discontinue all special rebates as early as possible.

. . ."

(EKB 1728)

Documentary evidence quoted in the Statement of Evidence indicates that there has been considerable exchange of information among the principal manufacturers of margarine and that discussions took place with respect to the difference in price between advertised and price brands and in regard to special deals. The increased importance of price brands of margarine in recent years has apparently had a substantial effect on merchandising practices.

In a letter of January 10, 1956 to Mr. W. W. Lasby, Mr. H. J. Book, Manager of Canada Packers' Margarine Department, wrote:

> "Kraft Foods Limited advised Levers today that Parkay margarine will, in future, be sold as a price brand in the Maritimes, Ontario and on the Prairies. It will continue to be sold in B. C., as an advertised brand.
>
> According to Levers, Kraft say that for some time they have been considering putting out a price brand and finally decided to follow Best Foods' - Nucoa - policy and discontinue Parkay advertising in the Maritimes, Ontario and on the Prairies and sell the brand in competition with competitors' price brands.
>
> . . .
>
> Levers and Swift are making no immediate change in Good Luck and Allsweet policy. They will advise us if they decide to make any change.
>
> . . ."

(EKB 662A-664B)

The significance of price brands is indicated in a letter of April 23, 1957 from Mr. Book to Mr. G.H. Dickson, then Canada Packers' Director of Marketing:

> ". . .
>
> At first all brands were advertised and sold at about the same price. Then unadvertised brands came on the market at a discount. The discount has varied from 4 cents to 6 cents. At present it is supposedly 5 cents but some large cut-rate buyers get various brands, at greater discounts. They sell them regularly at 25 cents per pound which is 10 cents per pound below the regular resale

level of the advertised brands and 6 cents below the resale level of the unadvertised brands in the chain stores.

. . .

The advertised brands now do about 30 per cent of the margarine business.

. . ."

(EKB 906A-937)

6. Attempt by Canada Packers to Increase Margarine Sales in Prairie Provinces

In 1955, Canada Packers was the only manufacturer with complete edible oils processing plants in Western Canada. Burns & Co. Limited had a margarine plant in Winnipeg using purchased refined oils, and other margarine manufacturers selling in the Prairie Provinces made shipments from plants in Eastern Canada. Canada Packers made a reduction in its prices of unadvertised brands of "Rose" and "Tulip" margarine. The circumstances of the reduction were described by Mr. W.F. McLean in evidence as follows:

"A. . . .

So we have an advantage in costs in manufacture in Winnipeg, the advantage being made up entirely of the fact that we do not - that we pay very little extra on the raw material freight and pay a good deal less on the finished product freight, as compared with someone shipping it from Ontario, where the other manufacturers are located.

The reason for lowering the price on the Prairies was that we could manufacture - we were certain we could manufacture cheaper than anybody else, or that we could - not 'manufacture cheaper'; I should not say that; that we could lay the product down at Prairie points cheaper than any other manufacturer.

We lowered the price in the hope that other manufacturers would not be able to compete in

that market with our price, because we had a cost advantage on them. And the reason we had the cost advantage was that we had spent something like, in round figures, something like a million dollars in Winnipeg putting a plant up in Winnipeg to manufacture."

(Hearing, pp. 1139-40)

Among Canada Packers' competitors in the sale of margarine in the Prairie Provinces was Sun Brite Products Ltd. of Toronto, which was supplying Western Grocers Limited. In making its price reduction Canada Packers apparently had some expectation that it could replace Sun Brite Products Ltd. as a supplier of margarine to Western Grocers Limited. In a letter of February 16, 1955 Mr. B.R. Walker, then Manager of the margarine-shortening plant of Canada Packers at Toronto, wrote to Mr. W.R. Parliament, Winnipeg Plant Manager, as follows:

"The permanent reduction in 'ROSE' and 'TULIP' prices in Western Canada was motivated to secure an increase in volume by making an unattractive market level for the opposition.

I don't know if Swift and Burns were slowed down but Lever and Sunbrite immediately met your lower prices and Lever went even lower. It can be assumed that under normal conditions no gain will be made from these two manufacturers.

. . ."

(EKB 683-684R)

The matter was again referred to in a letter of Mr. W.R. Carroll, then a Vice-President of Canada Packers to Mr. W.R. Parliament on April 11, 1955:

". . .

My understanding of the whole discussion about lowering the price was that in doing so we were starting a long term war of attrition on the basis that our costs on the Prairies were lower than anyone else's, and we would gradually wear them down.

We did hope that among the first would be Sunbrite, although I must say that I had no thought that Sunbrite would pull out in the first three months or six months -- anyone who would give up that easily should not be in business at all.

It seems rather strange to me that the people who have the undoubted advantage should be the first to consider giving up the fight.

. . .

I believe this question has been discussed so far on the basis of whether we should give up the fight and raise our price level.

Should we consider carrying the war further and lowering our price level again?

Certainly we should not be starting this kind of a campaign if we are not prepared to carry it through for a lot more than three months."

(EKB 688-689)

Toward the end of the year Mr. H.J. Book, Manager of Canada Packers' Margarine Department, renewed his recommendation made on previous occasions that the Sun Brite business be investigated from the viewpoint of possible purchase and suggested that, similarly, it might be worth while to investigate the business of an independent margarine manufacturer in Vancouver (EKB 679-680). The evidence does not disclose any action being taken by Canada Packers in regard to Mr. Book's recommendation and the Company has not acquired any edible oils processing plants or any plant manufacturing margarine.

After maintaining the reduced prices of margarine in the Prairies for some time Canada Packers advanced prices by the amount of the former reduction, as indicated in the following letter of May 14, 1957 from Mr. Book to another Company official:

". . .

A couple of years ago we reduced our price brands on the Prairies by 2¢ per pound figuring that the manufacturers in the East particularly Sunbrite which is supplied to Western Grocers Limited would not be able to compete

> with us and we would be able to get Western Grocers Limited to promote 'Rose' or 'Tulip'.
>
> Our tactics did not get us anyplace and we finally, after about a year's time, raised our price up by 2¢ per pound.
>
> I doubt very much that by lowering our price 3¢ per pound in Western Canada now would curtail competitors efforts to any great extent. Lever's and most of the other margarine manufacturers are big concerns and would not give up their business and they no doubt could afford to take it on the chin for just as long as we could.
>
> . . ."
>
> (EKB 1985-1986)

In giving evidence in regard to this episode Mr. W. F. McLean said that Canada Packers' expectation of securing a higher volume of margarine business for the Company's Winnipeg plant had not materialized because competitors met the reduced prices initiated by Canada Packers. This meant that there was no reduction in costs through larger plant volume and the price was increased to improve the profit position (Hearing, pp. 1140-44).

7. Soap and Detergents

The soap and detergent industry in Canada has been a highly concentrated one for a number of years. The size distribution of establishments manufacturing soap, detergents and related products in 1958 is given in Table 43.

Table 43

Size Distribution of Establishments Manufacturing Soap, Detergents and Related Products, 1958

Establishments having a Production of	Number of Establishments	Number of Employees	Selling Value of Factory Shipments
Under $10,000	26	35	$ 135,770
$10,000 to $24,999	17	43	289,356
$25,000 to $49,999	22	83	764,722
$50,000 to $99,999	21	152	1,568,910
$100,000 to $199,999	18	182	2,774,709
$200,000 to $499,999	11	237	3,236,150
$500,000 to $999,999	9	270	5,886,564
$1,000,000 to $4,999,999	10	738	21,902,971
$5,000,000 and over	3	2,142	95,463,679
Total	137	3,882	$132,022,831

Source: Dominion Bureau of Statistics, The Soaps, Washing Compounds and Cleaning Preparations Industry, 1958.

The three largest establishments in the industry, which produced almost three-quarters of the total production, do not include the soap plant operated by Canada Packers, which falls in the second largest group.

The soap industry has been affected by the rapid growth in the production of synthetic detergents which increased from less than 40 million pounds in 1948 to over 200 million pounds in 1959. On the other hand the production of soap declined from 240 million pounds to 130 million pounds in the same period.

Table 44

Factory Shipments of Soaps and Synthetic Detergents from All Industries, 1954-59

Year	Soaps		Synthetic Detergents		Total - Soaps and Synthetic Detergents	
	Pounds	Selling Value at Works $	Pounds	Selling Value at Works $	Pounds	Selling Value at Works $
1954	165, 094, 000	35, 932, 000	121, 936, 000	32, 380, 000	287, 030, 000	68, 312, 000
1955	156, 632, 000	34, 034, 000	138, 264, 000	36, 599, 000	294, 896, 000	70, 633, 000
1956	154, 152, 000	34, 707, 000	155, 579, 000	42, 391, 000	309, 731, 000	77, 098, 000
1957	141, 666, 000	33, 607, 000	176, 992, 000	49, 340, 000	318, 658, 000	82, 947, 000
1958	136, 676, 000	33, 588, 000	198, 324, 000	57, 474, 000	335, 000, 000	91, 062, 000
1959	129, 955, 000	34, 322, 000	206, 550, 000	60, 277, 000	436, 505, 000	94, 599, 000

Sources: Dominion Bureau of Statistics, The Soaps, Washing Compounds and Cleaning Preparations Industry, 1958, and Factory Shipments of Soaps, Washing Compounds and Cleaning Preparations, 1959 (Preliminary Statement).

The significance of growth of synthetic detergents was outlined by Mr. E.P. Zimmerman, then Manager of Canada Packers Soap Department, in a review prepared for a Directors' Meeting, February 18, 1955:

> ". . .
>
> . . . It is apparent from these figures that we have been getting a larger and larger share of the total soap flake business but that total soap flake volume has been declining, particularly in the case of packaged flakes, with the result that our total flake volume has slipped off somewhat in spite of aggressive use of premiums and other sales promotion.
>
> . . .
>
> The background material distributed last week showed the tremendous growth of synthetic detergents since the war and the extent to which synthetics have replaced soaps. Synthetic detergents in solid and liquid form have taken over a steadily increasing share of the household washing compounds market. In Canada from 1948 to 1954 the share of the household market held by synthetics increased from 29.5% to 67.3%, while in the United States during the same period the increase was from 22.1% to 82.8%. As I pointed out a week ago and earlier in this report, we can expect the synthetic share of the Canadian household market to continue to increase, particularly with the shifting of leading soap brands like 'Rinso' and 'Duz' to synthetics.
>
> The growth of synthetics in the bulk field (commercial, industrial and institutional markets) has been less striking but still significant. In Canada from 1948 to 1954, the synthetic share of the bulk market increased from 5.9% to 19.4%, while in the United States during the same period the synthetic share increased from 8.5% to 38.1%. It is only reasonable to expect this trend to continue, particularly in Canada where the use of bulk synthetics has lagged behind the United States.
>
> Although Canada Packers still can look for short term profits from its soap operation, increased long term profits must come from expansion of our activity in the synthetic field.
>
> . . ."

(EKB 243A-266)

It will be seen from the schedule of advertising expenditures given earlier in this chapter that soaps have been more heavily advertised by Canada Packers than any other product lines. Advertising expenditures for soaps amounted to $604,000 in 1955 and $778,000 in 1956.

Canada Packers' position in the soap and detergents industry is shown in Table 45.

Table 45

Comparison of Canada Packers Limited Production of Soap and Synthetic Detergents with Total Canada Production, 1948-56

(pounds)

Year	Total Canada Production of Soap and Synthetic Detergents (1)	Canada Packers Limited Production of Soap and Synthetic Detergents (2)	Per Cent 2 is of 1 (3)
1948	275,340,000	16,348,478	5.9
1949	251,857,000	17,384,517	6.9
1950	283,647,000	18,207,480	6.4
1951	267,150,000	17,740,030	6.6
1952	282,833,000	15,197,300	5.4
1953	296,312,000	18,115,257	6.1
1954	287,030,000	16,988,153	5.9
1955	294,896,000	17,648,182	6.0
1956	309,731,000	17,097,074	5.5

Sources: Dominion Bureau of Statistics, The Soaps, Washing Compounds and Cleaning Preparations Industry; EKB 243A-266, and Census of Industry Returns on file at Dominion Bureau of Statistics.

(Exhibit H-133)

CHAPTER X

CANADA PACKERS' POSITION IN THE FEEDS INDUSTRY

1. Types of Feed Mills

The preparation of animal feeds in the simplest form consists in the chopping of grains either on the farm or at local chopping or grist mills of which a great many operate in farming regions. Prior to World War I the preparation of balanced feeds or complete feeds was undertaken, principally by milling companies, when it was found that superior quality, increased outputs or faster rates of animal growth could be secured by the producer feeding balanced rations consisting of the correct combinations of proteins, carbohydrates, minerals, vitamins, hormones and enzymes. In this development different combinations of feed were developed for different types of livestock and poultry and for different stages of growth.

Bones, meat scraps and blood from packinghouses which had been used in the production of fertilizer became valuable elements as part of complete feeds and ceased to be used as fertilizer.

The development of the feed business of Canada Packers was described to the Commission by Mr. G.A. Schell, who had directed this part of the Company's business. Canada Packers' part in the feed business until 1933 consisted of grinding tankage and selling it to the manufacturers of complete feeds. In that year the Company began the production of feed concentrates which could be added to grain and thus make a complete feed. At first Canada Packers sold the feed concentrates to small manufacturers of complete feeds who had to register the feed formulas individually with the Department of Agriculture and present analyses prepared by chemical laboratories at their own expense.

After producing feed concentrates for this trade for two or three years, Canada Packers developed a new system of feed distribution under which chopping mills which would install mixing equipment would be licensed to mix feed concentrates supplied by Canada Packers with grain brought in by farmers or with purchased grain and produce complete feeds according to formulas registered by Canada Packers. As the cost of transportation of grains forms a

considerable part of the total cost of complete feeds made in central locations the shipping of concentrates (which form a small part of the complete feed) to local points to be mixed there with grain makes possible a very substantial saving to the farmer in the cost of complete feed. The operations of the licensed mills are supervised by Canada Packers, whose inspectors see that the feeds are produced in accordance with the registered formulas. The Company also supervises credits and sets up accounting and costing systems for the individual mills. Canada Packers adopted the name of Shur-Gain for its feeds and has advertised the brand. Shur-Gain feed mills are under contract to use Canada Packers' feed concentrates but the contract is not exclusive. However, Shur-Gain feed mills largely handle Canada Packers' feeds, but if a farmer orders concentrates of another manufacturer the Shur-Gain mill would be free to supply the feed ordered. The contract between Canada Packers and the Shur-Gain mill may be cancelled by either party on ten days' notice.

2. Canada Packers' Share of Feed Business

The fact that feeds may be sold in the form of concentrates for mixing by a local mill or by the user or may be sold in complete feed form makes it difficult to establish Canada Packers' share of the feed business. The Commission was furnished by Canada Packers with a computation in which concentrates were included on the basis of the amount of complete feeds which could be made from them. The results of the computation are shown in Table 46.

Table 46

Canada Packers Limited - Percentage Share of Canadian Feed Business in 1958 (All Concentrates Converted to Complete Feeds by Dominion Bureau of Statistics Conversion Formula)

	Per Cent
British Columbia	2.3
Alberta	44.1
Saskatchewan	2.7
Manitoba	15.6
Ontario	26.2
Quebec	33.8
New Brunswick	20.0
Nova Scotia	28.0
P.E. Island	36.2
Newfoundland	14.9
Total Canada	26.9

(Exhibit H-142)

Figures with respect to concentrates alone were also submitted by Canada Packers and appear in Table 47.

Shipments of Canada Packers Limited Concentrates (for Use in Farmers' Mixing and in Local Mills) as Percentage of Total Concentrates Used in Canada, 1955-58

(Tons)

	1955			1956		
	Total Concentrates[a] (1)	Canada Packers Limited Concentrates[b] (2)	Per Cent 2 is of 1	Total Concentrates[a] (1)	Canada Packers Limited Concentrates[b] (2)	Per Cent 2 is of 1
British Columbia	5, 401	494	9.1	5, 321	647	12.2
Alberta	126, 648	61, 460	48.5	144, 979	70, 034	48.3
Saskatchewan	37, 783	2, 921	7.7	51, 644	3, 280	6.4
Manitoba	65, 400	13, 028	19.9	69, 292	14, 317	20.6
Ontario	887, 641	343, 736	38.7	1, 071, 560	416, 475	38.9
Quebec	405, 827	164, 159	40.5	381, 768	188, 511	49.4
New Brunswick	26, 367	9, 380	35.5	23, 084	10, 681	46.3
Nova Scotia	30, 711	6, 902	22.4	28, 531	9, 336	32.7
P.E. Island	37, 819	17, 463	46.2	28, 289	16, 296	57.6
Newfoundland	981	-	-	217	-	-
Total Canada	1, 624, 578	619, 543	38.1	1, 804, 685	729, 577	40.4

	1957			1958		
British Columbia	10, 858	233	2.1	13, 832	431	1.9
Alberta	191, 386	98, 255	51.3	243, 663	116, 026	47.6
Saskatchewan	66, 757	3, 877	5.8	92, 790	2, 946	3.2
Manitoba	84, 000	16, 914	20.1	119, 581	21, 171	17.0
Ontario	1, 171, 383	435, 398	37.2	1, 347, 791	475, 550	35.3
Quebec	407, 002	208, 661	51.3	531, 348	280, 994	52.9
New Brunswick	25, 024	11, 381	45.4	32, 347	13, 274	41.0
Nova Scotia	29, 485	9, 401	31.9	40, 206	10, 149	25.2
P.E. Island	31, 811	15, 196	47.8	35, 402	16, 142	45.6
Newfoundland	310	-	-	728	-	-
Total Canada	2, 018, 016	799, 316	39.6	2, 457, 688	936, 683	38.1

(a) Concentrates manufactured by firms reporting to Dominion Bureau of Statistics for inclusion in Dominion Bureau of Statistics monthly publication of Shipments of Prepared Stock and Poultry Feeds.

(b) Including Canadian subsidiaries.

Sources: Dominion Bureau of Statistics, Shipments of Prepared Stock and Poultry Feeds, and Canada Packers Limited accounting records.

(Exhibit H-134)

Canada Packers' introduction of the sale of feed concentrates for local mixing into complete feeds under a registered brand appears to have given the Company a considerable advantage in developing its feeds business and, according to Mr. G. A. Schell, other manufacturers did not attempt the same method of distribution until about 1950 but devoted their efforts principally to the sale of complete feeds. At the time of the hearing 29 firms, including Canada Packers, were producing and selling feed concentrates in addition to other lines of activity. Only Canada Packers and Swift Canadian Co. Limited sold concentrates in all regions but several milling companies distributed concentrates in Central Canada and the Maritimes, while Burns & Co. Limited sold concentrates in Quebec and Western Canada. Co-operative organizations distributed concentrates in practically all regions. The distribution of firms manufacturing and selling feed concentrates is shown in Table 48.

Table 48

Number of Firms Distributing Feed Concentrates, by Provinces

Province	Total Firms
Maritimes	9
Quebec	12
Ontario	17
Manitoba	8
Saskatchewan	5
Alberta	9
British Columbia	5

(Exhibit H-136)

It was suggested by the Director that Canada Packers' position in the feeds business was strengthened because tankage and other by-products of slaughtering could be used profitably in the production of feeds. It is probably the case that over the years the Company secures larger earnings from the sale of tankage in feeds

than it would if it sold the tankage on the open market. In 1955 and 1956, Canada Packers used 52.3 per cent and 50.9 per cent respectively of its production of tankage in the manufacture of feeds and this source provided 64.7 per cent and 71.1 per cent respectively of the total tankage used in the feeds division. Mr. Schell pointed out that soybean meal, oil cake meal and fish meal may be substituted for meat meal in the production of feeds so that if it is advantageous to do so these products are used in the place of meat meal. In the two years referred to, tankage formed 3.7 per cent and 4.2 per cent of total weight of materials used in feeds manufactured by Canada Packers (Exhibit H-138).

3. Acquisition of Feed Mills by Canada Packers

Across Canada 661 mills are engaged in making Shur-Gain feeds, of which 16 mills are owned by Canada Packers. In addition, the Company operates 4 concentrate plants at Toronto, Montreal, Winnipeg and Edmonton (Exhibit H-140).

Of the 16 complete feed mills under company ownership, 5 are in Ontario and 8 are in the Maritime Provinces. Nine of the 16 mills were acquired as chopping or feed mills and 6 of the acquired mills were in the Maritimes. In some cases mills were established or acquired to serve as demonstration mills--this has been the case particularly in Ontario and Western Canada. In the case of mills in the Maritime Provinces most of these were acquired in order to provide more adequate dealer service or because the previous owners no longer wished to carry on a feed business. The dates at which the various mills were acquired and their annual feed mill capacities are shown below:

Clinton, Ontario - chopping mill only	- 1938
Wingham, Ontario - chopping mill only	- 1938
Truro, Nova Scotia - chopping mill only	- 1944
Port Williams, Nova Scotia - 10,000 T. per year	- 1947
Berwick, Nova Scotia - 6,000 T. per year	- 1949
Bridgewater, Nova Scotia - 5,000 T. per year	- 1952
Canning, Nova Scotia - 3,000 T. per year	- 1956
Brantford, Ontario - 6,000 T. per year	- 1956
Kinkora, P.E.I. - 7,000 T. per year	- 1957

4. Financing of Livestock Feeding by Canada Packers

For a number of years Canada Packers used to buy lambs in Alberta and feed them in the livestock pens at Toronto so that stock would always be available at the plant. Since imported Australian and New Zealand frozen lamb is now available the year round Canada Packers has given up the feeding of lambs.

Canada Packers does some feeding of beef cattle, particularly in Western Canada, in order to supply grain-fed cattle to chain stores who demanded beef from the stall-fed cattle the year round.

For a time Canada Packers arranged for feeding of hogs in Ontario but this activity has been discontinued. In Quebec and Prince Edward Island Canada Packers makes advances of $10 per hog to Shur-Gain mills which enter into feeding arrangements with farmers. It is generally part of the contract that the hogs fed under these arrangements are delivered to Canada Packers. At the time of the hearing the Company had 20,000 hogs on feeding contracts, which would represent 3 per cent of the Company's total hog kill if the volume of contract feeding was maintained for the full year (Hearing, p. 1283). Mr. Schell said that the practice had been initiated by other packers and that Canada Packers tries to stay away from it to whatever extent it can. The Company does engage in contract poultry feeding on a considerable scale as will be described in a later chapter.

CHAPTER XI

CANADA PACKERS AND THE MANUFACTURE AND DISTRIBUTION OF MIXED FERTILIZER

1. Sources of Fertilizer Materials

Meat packers became engaged in the manufacture of fertilizers when tankage produced in slaughtering was used in the production of fertilizers. When, as already mentioned, tankage became more valuable as an animal feed, some meat packers continued in the fertilizer business by engaging in the production of chemical fertilizers.

The sources of chemicals used in mixed fertilizers are described in the Statement of Evidence:

> "Mixed chemical fertilizers consist of chemicals which, when applied in combination to the soil, provide nitrogen, phosphorus and potash in forms that can be utilized as plant food. Ordinarily mixed fertilizers are referred to by a series of numbers, for example 6-12-6 which indicates that this particular mixture will provide 6 per cent of nitrogen, 12 per cent of phosphorus, and 6 per cent of potash. The balance of the mixture consists of fillers which have no value as plant food, but which, for various reasons, are necessary ingredients. Nitrogen is derived largely from ammonium sulphate, ammonium phosphate, ammonium nitrate and cyanamid. Consolidated Mining and Smelting Co. of Canada Limited at Trail, British Columbia, manufactures ammonium sulphate, ammonium phosphate and ammonium nitrate. It is not economical however for it to ship into Eastern Canada and most of its production is sold in Western Canada or exported to the United States. Little mixed fertilizer is used in Western Canada, but large quantities of ammonium phosphate are used. Ammonium sulphate is also produced as a by-product of the steel and coking industry and is sold by Dominion Steel and Coal Corporation Limited, Montreal; Algoma Steel Corporation, Limited, Sault Ste. Marie; Hamilton By-Product Coke Ovens, Limited, Hamilton; Montreal Coke & Manufacturing Co., Montreal, and The Steel Co. of Canada, Limited, Hamilton.

Ammonium nitrate and cyanamid are produced by North American Cyanamid, Limited, Welland, Ontario. The phosphorus component, in Eastern Canada, is derived from super-phosphate which is manufactured by Canadian Industries Limited in plants at Hamilton and at Beloeil, Quebec. The potash component, at least until recently, has been imported."

(Statement, pp. 234-35)

As indicated in the foregoing extract, Canadian Industries Limited is the principal supplier of superphosphate in Eastern Canada, which is used not only in its own mixed fertilizer business but is supplied to other fertilizer manufacturers. Canada Packers also relied on Canadian Industries Limited for the supply of nitrogen elements as indicated in a letter of June 27, 1956 from Mr. T.J. Payne, Manager of the Fertilizer and Feeds Division, to Mr. G.A. Schell:

". . .

Fertilizer materials fall into three main categories:

(1) Nitrogen and miscellaneous items constitutes about 23% of our fertilizer materials. Nitrogen solutions and anhydrous ammonia will be purchased progressively according to our needs from two suppliers (C.I.L. for most of our requirements and Dow Chemical for anhydrous ammonia for direct application). . .

. . .

(2) Superphosphate (regular and triple) constitutes about 60% of our materials.

. . .

(3) Potash constitutes about 17% of our materials. . . .

. . ."

(EKB 1019-1024)

2. Location of Canada Packers' Fertilizer Plants

Mr. G.A. Schell, who had also directed the fertilizer operations of Canada Packers, gave the Commission a description of the changes which had taken place in the manufacture of mixed fertilizer since he assumed direction about 1933. When mixing operations became mechanized around this time it was found necessary to rebuild existing plants in order to have the buildings and equipment adapted to mechanical operations. The large transportation expense involved in shipping mixed fertilizers made it desirable that plants should be located as far as possible in proximity to the chief areas of use. In addition, the growing use of truck transportation made it advantageous to have assembling and loading facilities adapted to truck shipment. The locations of Canada Packers' fertilizer plants and dates when they were built or acquired are shown in Table 49.

Table 49

Canada Packers Limited - Fertilizer Plants in Canada

Location of Plant	How Acquired	Year	Storage Capacity 1956 (tons)	Average Annual Productive Capacity 1956 (tons)	Average Annual Productive Capacity At Time of Purchase (tons)
Toronto, Ont.	Built	1914			
	Re-built	1936	30,000	45,000	
Saint John, N.B.	Built	1930			
	Re-built	1936	20,000	35,000	
Montreal, Que.	Built	1937	30,000	45,000	
Welland, Ont.	Purchased	1943	10,000	20,000	6,000
Port Williams, N.S.	Purchased	1947	8,000	10,000	8,000
Summerside, P.E.I.	Purchased	1949	12,000	18,000	12,000
Chatham, Ont.	Built	1951	30,000	45,000	
Ste. Foy, Que.	Built	1951	12,000	18,000	
Total Productive Capacity -				236,000	

Sources: Exhibits H-144, H-145.

The productive capacity of a fertilizer plant is not determined altogether by size but in relation to the inward flow of materials and the outward movement of mixed fertilizers. After the chemicals are mixed the fertilizer must remain in storage for some time until it is cured. The outward movement of fertilizers is governed by the demands of users. In most regions the greatest demand for fertilizers occurs in the spring so that the capacity is largely a matter of the storage capacity for materials and mixed fertilizer necessary to meet the peak seasonal demand. As indicated above, the productive capacity of Canada Packers' plants in 1956 was 236,000 tons and the actual production was 198,000 tons.

In 1934 Canada Packers made long-run plans to develop the fertilizer business on the basis of two or three plants in Ontario, two in Quebec and three in the Maritime Provinces (Hearing, p. 1293). Canada Packers did not expand its fertilizer operations in the Maritime Provinces until after the end of World War II, although the matter was under consideration earlier. In 1947 the feed and fertilizer plant of George A. Chase Limited, Port Williams, Nova Scotia was offered for sale and acquired by Canada Packers. A recommendation to purchase the plant was made by Mr. J.K. Leggatt of the Saint John Fertilizer and Feed Division in a letter of May 3, 1947 in which reference is made to other plans for expansion in the Maritimes:

> ". . .
>
> We propose adding to our plant at Saint John and we are considering too, buying one of the Prince Edward Island fertilizer firms if a deal can be arranged. Buying the Chase business does not conflict with either of these projects. Since 1942 we have been zoned out of Nova Scotia by Government regulations. But in the years from 1931 to 1942 we were unable to do business in Nova Scotia chiefly because the rail freights to the heavy consuming sections were against us. . . .
>
> . . .
>
> . . . I feel, therefore, that it is fairly reasonably safe to assume that one third of the total fertilizer consumption in the Province is in Kings County in which Port William is located. Maintaining or improving on the Chase Company's fertilizer volume should be easy. Regardless of what improvements we make at Saint John we shall never be in a position to serve the Valley well from this plant. Neither can we hope to serve the Valley from a Prince Edward Island point.

. . .

. . . Chase has offered to sell to us because he feels that he has no choice between selling and expanding. He is in his 60th year. Further expansion would tie up his estate to the point where succession duties would make it almost impossible for his heirs to settle the business. . . .

. . ."

(CPN 47-3, 5 pages)

In Prince Edward Island and New Brunswick one of the principal uses of fertilizers is in the growing of potatoes. Fertilizers are supplied to some growers by potato dealers who may be assisted by fertilizer manufacturers in making advances of fertilizers to producers which will be paid for either by the delivery of potatoes at harvest time at market price or at a contract price or by payment for the fertilizer out of the proceeds of the sale of potatoes. As Canada Packers was a produce merchant as well as a fertilizer manufacturer in certain cases it supplied fertilizers to dealers from whom it hoped to obtain supplies of potatoes. Such arrangements were thought to facilitate the sale of fertilizer and the purchase of potatoes.

Until 1945 there was only one fertilizer plant on Prince Edward Island. This was a plant at Charlottetown operated by Island Fertilizer Inc. Supplies of fertilizer were also shipped to the Island from plants on the mainland. While Canada Packers had under consideration the building of a fertilizer plant on the Island a local group established a fertilizer plant at Summerside in 1945. This led to a decline in sales of fertilizer by Canada Packers in Prince Edward Island, and while the fertilizer plant at Charlottetown was destroyed by fire in 1946 operations were resumed in another building. In 1947 Canada Packers began negotiating for the purchase of the Summerside plant and while the asking price by the owners was regarded at first as too high at $90,000 (EKB 1518) the plant was acquired in 1949 for $125,000 (Hearing, p. 1349). The latter amount may have included larger inventories. In Mr. Schell's view the final price was in keeping with what the plant was worth as the alternative of building an addition to the Saint John plant would have been more costly and the Company would have had the disadvantage of cost of freight from Saint John to Prince Edward Island which was placed at about $3.00 per ton (Hearing, p. 1349 and EKB 1505-1506).

3. Concentration in the Mixed Fertilizer Industry

The production of mixed fertilizers in Canada is carried on in a relatively concentrated industry. The situation in 1947 was described in the Report of the Royal Commission on Prices in 1949 as follows:

> "The other stage of the fertilizer industry consists of the mixing of these primary materials. In Canada, at present, there are 28 plants manufacturing mixed fertilizers, eight in the Maritimes, four in Quebec, 12 in Ontario, and four in British Columbia. In addition, there are seven local mixing stations operated by the United Farmers Co-operative Company Ltd. at various points in the province of Ontario. The 28 plants are owned by just 18 different companies and there is a relatively small number of competing producers in each area. Transportation costs place a definite limit on competition between different areas. Competition is further restricted by the fact that the industry is dominated by a few large firms. Canadian Industries Limited with six plants, sold about 35 per cent of all mixed fertilizers sold in Canada during the year ended June 30, 1947, and the three largest firms, sold about 75 per cent of this same total."[1]

On the basis of figures submitted in the Company's return of information to the Director, Canada Packers' sales of fertilizer formed about 21 per cent of the Canadian total in 1947 but as Canada Packers distributes fertilizer in the provinces east of Manitoba its proportion of the business in Eastern Canada would have been higher. Canada Packers' shares of fertilizer business in the provinces in which it makes fertilizer sales are shown in Table 50.

---

1 Report of the Royal Commission on Prices, 1949, Volume III, p. 163.

Table 50

Canada Packers Limited - Sales of Fertilizer and Fertilizer Materials vs. Total Canada Sales by Firms Reporting to Dominion Bureau of Statistics, 1948-57

(Tons)

Fertilizer Year Ending	Ontario: Total Industry Tonnage(a) (1)	Ontario: Canada Packers Limited Tonnage (2)	Ontario: % 2 is of 1 (3)	Quebec: Total Industry Tonnage(a) (1)	Quebec: Canada Packers Limited Tonnage (2)	Quebec: % 2 is of 1 (3)	New Brunswick: Total Industry Tonnage(a) (1)	New Brunswick: Canada Packers Limited Tonnage (2)	New Brunswick: % 2 is of 1 (3)
June, 1948	274,506	75,684	27.5	130,487	40,115	30.7	83,116	28,997	34.9
1949	327,949	83,172	25.4	150,719	43,958	29.2	75,532	24,804	32.8
1950	346,568	88,721	25.6	148,036	46,551	31.4	71,459	26,755	37.4
1951	368,296	97,821	26.5	150,414	42,696	28.4	59,828	21,407	35.7
1952	378,949	104,866	27.7	132,952	40,302	30.3	63,400	23,524	37.1
1953	399,380	109,505	27.4	131,446	40,766	31.0	70,114	24,545	35.0
1954	426,611	112,016	26.2	139,211	41,377	29.7	64,248	20,604	32.0
1955	428,752	110,337	25.7	130,057	39,012	30.0	62,337	21,376	34.2
1956	429,449	108,646	25.3	135,507	41,982	30.9	62,307	22,032	35.4
1957	415,986	100,499	24.1	141,974	41,950	29.4	61,015	23,476	38.4

Fertilizer Year Ending	Prince Edward Island: (1)	Prince Edward Island: (2)	Prince Edward Island: (3)	Nova Scotia: (1)	Nova Scotia: (2)	Nova Scotia: (3)	Newfoundland: (1)	Newfoundland: (2)	Newfoundland: (3)
June, 1948	61,569	6,271	10.2	41,258	8,384	20.3	-	-	-
1949	51,432	18,873	36.7	35,746	7,819	21.8	4,492	161	3.5
1950	47,279	14,557	30.8	32,744	7,738	23.6	4,214	832	19.6
1951	35,257	11,683	33.0	32,337	7,149	22.1	4,661	482	10.3
1952	42,867	14,074	32.8	29,266	7,464	25.5	4,788	694	14.4
1953	49,549	17,141	34.6	30,343	8,501	28.0	4,846	1,070	22.1
1954	43,464	13,818	31.8	28,123	7,379	26.2	4,449	1,303	29.2
1955	49,666	16,605	33.4	28,950	8,377	28.9	5,329	1,777	33.3
1956	49,408	16,562	33.5	26,285	7,309	27.8	5,344	1,771	33.0
1957	53,299	18,691	35.1	26,358	8,163	30.9	4,783	1,801	37.6

(a) Firms reporting to Dominion Bureau of Statistics for inclusion in The Fertilizers Industry.

Sources: Dominion Bureau of Statistics, The Fertilizers Industry; Canada Packers Limited accounting records.

(Exhibit H-147)

The effect of the acquisition of the fertilizer plant at Summerside in 1949 in increasing the Company's share of the business in Prince Edward Island is clearly shown in the above table. It will also be noted that Canada Packers' share of the fertilizer business in other Maritime Provinces has tended to increase although the use of fertilizers in these provinces has, in general, declined.

Although transportation costs provide an advantage for the local fertilizer plant with economical sources of chemicals over a manufacturer shipping from a more distant plant, some manufacturers make sales of fertilizers in areas in which they do not have plants. According to a survey made by Canada Packers most manufacturers, however, operate within the region in which their plants are located. Table 51 lists the firms producing and selling mixed fertilizers in Eastern Canada and shows the areas in which they sell mixed fertilizers.

Table 51

Firms Producing and Selling Mixed Fertilizers in Eastern Canada (Maritimes, Ontario and Quebec) and the Areas in Which They Operate

Name	Plant Location	P.E.I.	Nova Scotia	New Brunswick	Quebec	Ontario
Agricultural Chemicals Ltd.	Chambly, Que.				x	
	Hyde Park, Ont.					x
	Orangeville, Ont.					x
	Port Hope, Ont.					x
Bi-Organic Fertilizers Ltd.	Maidstone, Ont.					x
Bradford Fertilizers & Chemical	Aurora, Ont.					x
	Bradford, Ont.					x
Canada Packers Limited	Summerside, P.E.I.	x	x	x		
	Port Williams, N.S.		x			
	Saint John, N.B.		x	x		
	Montreal, Que.				x	x
	Ste. Foy, Que.			x	x	
	Chatham, Ont.					x
	Toronto, Ont.					x
	Welland, Ont.					x
Canadian Industries Limited	Halifax, N.S.	x	x	x		
	Montreal, Que.				x	x
	Beloeil, Que.			x	x	x
	Chatham, Ont.					x
	Hamilton, Ont.					x
	Norwich, Ont.					x
Colonial Fertilizer Co. Ltd.	Windsor, N.S.	x	x	x		
Elmira Fertilizers Limited	Elmira, Ont.					x
	Exeter, Ont.					x
Hy-Trous Company of Canada Limited	Cornwall, Ont.				x	x
Wm. Houde Ltee.	Laprairie, Que			x	x	x
International Fertilizer Ltd.	Saint John, N.B.	x	x	x		
	Quebec, Que.				x	x
Island Fertilizer Inc.	Charlottetown, P.E.I.	x	x	x	x	
Manchester Products	Galt, Ont.					x
Misner Fertilizers Limited	Port Dover, Ont.					x
Ontario Plant Foods Limited	Delhi, Ont.					x
	Chatham, Ont.					x
Rainbow Chemicals Limited	Tilbury, Ont.					x
Wm. Stone Company	Ingersoll, Ont.					x
Summers Fertilizers Co. Inc.	St. Stephen, N.B.	x	x	x		
Swift Canadian Co. Limited	Toronto, Ont.	x	x	x	x	x
United Co-Operatives of Ontario	Toronto, Ontario					x
	Stratford, Ont.					x
	Thamesville, Ont.					x
	Dundalk, Ont.					x
	Hensall, Ont.					x
	Elmwood, Ont.					x
	Lucknow, Ont.					x
Total Number of Firms		7	7	8	8	16

Source: Canada Packers Limited Survey.

(Exhibit H-143)

4. Relations among Competitors in the Fertilizer Industry

Some material secured by the Director in connection with a preliminary inquiry into the fertilizer industry was presented in the Statement of Evidence. Discontinuance of the preliminary inquiry had been mentioned by the Director in his annual report for the fiscal year ended March 31, 1955 as follows:

> ". . .
>
> Late in 1953 and early in 1954, representations were received which alleged a combine at the mixing level in the fertilizer industry in eastern Canada. Mixed chemical fertilizers consist of chemicals which, when applied in combination to the soil, provide nitrogen, phosphorus and potash in forms that can be utilized as plant food. 'Fillers' are also present which have no value as plant food but, for various reasons, are necessary ingredients. Almost all the mixed fertilizer in Canada is produced and sold in Ontario, Quebec and the Maritimes.
>
> The complaint appeared to be substantial and authorization was obtained from the Restrictive Trade Practices Commission to examine the files of the important fertilizer manufacturers in eastern Canada. The evidence obtained did not indicate that the companies were in collusion in the setting of prices. Price policies, at the mixing level, appeared to be governed by a type of price leadership [1], which resulted in a fairly stable price structure in such areas as eastern Ontario and Quebec where the major producers were in a dominant position. In western and southwestern Ontario small mixers appeared to be somewhat more aggressive than elsewhere and their product offered considerable price competition to that of the major producers. The Prince Edward Island market appeared to be supplied largely by one local producer who also offered some competition to the larger producers on the mainland.

---

1 The expression 'price leadership' describes a situation in which the prices set by a leading firm or firms are closely followed by other firms in the industry.

While the list prices of the major producers appeared to be substantially identical within individual market areas, competition appeared to exist in seeking dealer accounts, in granting dealer and early delivery discounts and in absorbing transportation costs. It also appeared that new mixers could enter the business with reasonable means and effort.

Since the evidence did not justify further inquiry, the inquiry was discontinued. No evidence had been brought before the Restrictive Trade Practices Commission and it was therefore unnecessary to obtain the Commission's concurrence for such discontinuance.

. . ." [1]

In the opinion of the Director the material presented in the Statement of Evidence establishes that prior to the preliminary inquiry there had been frequent consultation among fertilizer manufacturers in the Province of Quebec upon prices and sales policies. The arrangements in question were considered to have been made from time to time until the year 1953 when they ceased to be very effective. In the case of Ontario the Director's opinion was that consultation and arrangements covering merchandising policies among fertilizer manufacturers did not reach the same level of formality nor produce the same uniformity as they did in Quebec. The competitive situation was believed to have been affected to a lesser extent in the Maritime Provinces.

In view of the discontinuance of the earlier inquiry by the Director the material assembled in the Statement of Evidence in this connection will not be reviewed in detail but reference will be made to some of the documents relating to years immediately prior to the commencement of the inquiry.

---

1 Department of Justice, Report of the Director of Investigation and Research, Combines Investigation Act, for the Fiscal Year Ended March 31, 1955, Ottawa, 1955, pp. 45-46.

In a letter dated July 17, 1952, Mr. G. D. Mungall, then Manager of Canada Packers' Montreal Fertilizer and Feed Division, wrote to Mr. A. Mooney, Sales Manager, Fertilizer and Feed Division, Canada Packers, Toronto:

> "A meeting scheduled in Quebec for Monday morning is to discuss revisions to our present truck equalization, if possible, also to try and reach agreement on a number of brands to be offered.
>
> The possibility of reducing both Cooperatives' and agents' discounts will also be discussed.
>
> It was not our intention to discuss prices at this particular meeting, but the information obtained will have some bearing on our prices which will be decided later.
>
> I will give you a full report after the meeting."
>
> (CPQ 52-1)

On January 7, 1953 Mr. D. Dupre, then Manager of Canada Packers' Montreal Fertilizer and Feed Division, wrote to Mr. T.J. Payne of the Company's Toronto office in regard to the price situation in the fertilizer business and referred to the fact that A.A.C. [Agricultural Chemicals Limited] and Hy-Trous [Hy-Trous Company of Canada Limited] did not meet with the rest of the trade. Other information given in the Statement of Evidence indicates that Agricultural Chemicals Limited had withdrawn from industry meetings in 1946 and that Hy-Trous Company of Canada Limited had begun manufacturing mixed fertilizer at Cornwall, Ontario in 1948.

> ". . .
>
> The price situation is still very unsettled although considerably improved over a year ago now I understand. It is taking considerable fortitude on the part of all the Manufacturers to sit back and hold the price line in view of the constant recurring reports many of which, of course, are faults [false] to the effect that the price structure is sagging badly here and there. The fact that A.A.C. and Hy-Trous do not meet with the rest of the Trade, of course, means that the rest of us do not know what they are doing and we do hear many reports, some of which, appear to be authentic to the effect that they are selling just enough under the larger Manufacturers to dispose of their tonnage.

We are hoping that there will not be any general abandoning of the price schedule, but, of course, C-I-L continue to threaten wide-spread retaliation every time they hear a rumour of a price cut from us. So far, we have been able to convince them of our good faith in endeavouring to clean up last year's dirty situation.

. . ."

(CPQ 67-6, 3 pages)

On March 3, 1952 Mr. A. Mooney, Sales Manager, Canada Packers' Fertilizer and Feed Division, wrote to Mr. J. D. Browne of the Company's Fertilizer and Feed Division at Chatham:

". . .

All I have to say is to pretty well repeat what we discussed when you were last in the office. This is a dual account and I cannot agree to putting them on the ten per cent basis without your first discussing it with our friends, the C. I. L. After all, there must be a certain amount of honor in handling matters of this kind.

There may be, and I believe there is, some justification for putting this man on the ten per cent basis but being a joint account I have a gentleman's agreement with our friends that, in such cases, we will first discuss the matter with them before making the change. Remember this sort of thing can work both ways. We can't expect from our competitors just 100% co-operation when we're not going to give them the same amount. If you wish to discuss this matter with C. I. L. I have no objections. Let me know, however, whatever you do."

(CPQ 50-3)

The following factors were among those suggested by the Director as leading to a more competitive situation in the distribution of fertilizers:

1. The adoption of a somewhat more independent policy by one of the smaller companies, Agricultural Chemicals Limited.

2. The entry of new companies into the business. These included:

(i) Hy-Trous Company of Canada Limited, Cornwall, Ontario, 1948.

(ii) Wm. Houde Limitée, Laprairie, Quebec, 1950.

(iii) New plants at a number of centres in Ontario between 1947 and 1955. Some of these were operated by co-operatives.

(iv) Greater activities by co-operative organizations in Quebec and Ontario.

3. Legislation prohibiting resale price maintenance enacted in December, 1951.

CHAPTER XII

COLD STORAGE FACILITIES AND STOCKS AS FACTORS IN CANADA PACKERS' OPERATIONS

The cold storage facilities owned or controlled by Canada Packers were considered by the Director as contributing to the leading position of Canada Packers in the meat packing industry. The features of Canada Packers' cold storage operations which were said to assist in this direction may be summarized as follows:

1. In some areas Canada Packers exercises control over a significant proportion of all cold storage warehouse capacity. This assures the Company that it will be able to take care of its storage requirements.

2. The cold storage holdings of Canada Packers form substantial proportions of total Canadian stocks.

3. By timing cold storage withdrawals and cold storage accumulations Canada Packers can influence market prices of both meats and livestock.

4. As the slaughtering capacity of a meat packing plant depends in part on cooler and storage capacity the control of large cold storage capacity gives Canada Packers a more flexible slaughtering capacity than some of its smaller competitors.

Evidence was given by Mr. W.F. McLean that in meat packing operations it is necessary to distinguish between cooler space and freezer space and that only the latter constitutes storage space for the indefinite holding of meat products. The principal uses of coolers are to chill hot carcasses immediately after slaughter and to hold fresh meat for a few days before sale. There are usually separate coolers for these two purposes as special coolers may be used to reduce the temperatures of carcasses immediately after slaughter. The temperature in coolers is kept just above freezing or higher, depending on the purpose for which they are used, while freezer rooms are kept at 10° Fahrenheit or lower. The refrigerating

capabilities differ for cooler and freezer rooms and one could not be used for the other without substantial alteration. In the case of meats only freezer space approved by the Health of Animals Division of the Department of Agriculture is of significance in the trade because only meat stored in such establishments could be sold to an inspected packer or processor or shipped in inter-provincial trade or export trade (Hearing, pp. 755-62). After freezing, pork is not put back on the market in the same form but is processed for sale (Hearing, p. 807). Beef put into freezers is low grade beef which is stored boneless and used for bologna, weiners and other cookroom products. The decision to freeze must be made immediately after killing. In the case of hogs it is not safe to put pork into the cooler and then a couple of days later into the freezer because of the possibility of poor quality on coming out of the freezer (Hearing, pp. 816-19).

Figures were provided by Canada Packers showing the freezer space available in establishments approved or inspected by the Health of Animals Division. These are shown in Table 52.

Table 52

Freezer Space Available in Approved Public Cold Storages[(a)] and in Inspected Packinghouses for the Storage of Meats

	Total Canada (cu. ft. of freezer space)	Owned or Controlled by Canada Packers (cu. ft. of freezer space)	Canada Packers' % of Total
P.E. Island	98,167	49,367	50.3
Nova Scotia	730,273	-	-
New Brunswick	691,780	16,687	2.4
Quebec	6,431,539	701,498	10.9
Ontario	10,849,806	1,159,616	10.7
Manitoba	4,495,744	284,410	6.3
Saskatchewan	1,021,612	31,230	3.1
Alberta	2,281,380	87,292	3.8
British Columbia	4,200,022	61,030	1.5
Total	30,800,323	2,391,130	7.8

(a) Approved for storage of meats by the Health of Animals Division of the Canadian Department of Agriculture.

(Exhibit H-95)

The freezer space in inspected packinghouses included in the above table totalled 5,100,048 cu. ft., of which Canada Packers owned or controlled 1,151,703 cu. ft. or 22.6 per cent. Space in inspected packing houses is usually not available for rental to the public (Hearing, p. 774). The percentages shown in Table 52 representing the proportions of cold storage space owned or controlled by Canada Packers are considerably lower than the percentages relied on by the Director, which related to all forms of refrigerated storage space.

As a means of showing the availability of cold storage space in Canada a table was presented by Canada Packers showing the greatest amounts of frozen meats in storage in each year since 1939. For the years since 1950 the figures are given in Table 53.

Table 53

Month of Peak Inventory of Frozen Meat Products Held in Cold Storage in Packers and Wholesale Warehouses, 1950-59

Year	Month	Quantity (000's Pounds)
1950	June	44,054
1951	June	41,306
1952	June	68,726
1953	May	92,064
1954	June	51,525
1955	May	46,099
1956	May	59,845
1957	March	42,461
1958	December	50,212
1959	May	117,688

Source: Dominion Bureau of Statistics, Stocks of Food Commodities in Cold Storage and Other Warehouses.

(Exhibit H-94)

It will be seen from the above table that the amounts of meats in cold storage ranged from 41.3 million pounds in June, 1951 to over 92 million pounds in May, 1953 and to almost 118 million pounds in May, 1959. In 1953 and 1959 the accumulation of inventory accompanied the government support programmes, the first following the outbreak of the foot and mouth disease and the latter the price support programme for pork. It was argued on behalf of Canada Packers that the fact that such large stocks could be held indicated that ample storage space is available at all times for the use of packers, large or small.

The Director had compared the inventories of various classes of meats held by Canada Packers with the total reported inventories of the same classes. As it was pointed out by the Company that stocks of fresh meats are used in current trade and not for storage a comparison was made between inventories of fresh meats and average daily production.

Table 54

Canada Packers Limited - Inventories of Fresh Meats in Relation to Average Daily Production, by Months, 1955

(000's Pounds)

Fresh Beef

Month	Canada Packers' Inventories (including Hunnisett)	Canada Packers' Average Daily Production (including Hunnisett)	Number of Days' Production on Inventory
January	4,212	710	5.9
February	4,742	1,097	4.3
March	4,280	920	4.7
April	4,118	1,040	4.0
May	3,937	1,086	3.6
June	4,056	1,207	3.4
July	4,462	1,049	4.3
August	3,925	1,028	3.8
September	5,079	1,249	4.1
October	5,300	1,303	4.1
November	5,379	1,375	3.9
December	5,228	1,368	3.8

Fresh Pork

Month	Canada Packers' Inventories	Canada Packers' Average Daily Production	Number of Days' Production on Inventory
January	1,056	661	1.6
February	1,304	1,000	1.3
March	1,185	917	1.3
April	1,229	923	1.3
May	1,288	1,122	1.1
June	1,062	1,068	.99
July	1,206	972	1.2
August	1,077	884	1.2
September	1,112	862	1.3
October	1,323	1,013	1.3
November	1,587	1,371	1.2
December	1,414	1,217	1.2

Cured Pork

Month	Canada Packers' Inventories	Canada Packers' Average Daily Production	Number of Days' Production on Inventory
January	3,703	427	8.7
February	3,627	313	11.6
March	3,426	304	11.3
April	4,932	383	12.9
May	4,021	418	9.6
June	4,177	371	11.3
July	4,622	428	10.8
August	4,721	444	10.6
September	3,612	408	8.9
October	3,782	380	10.0
November	4,499	402	11.2
December	5,401	453	11.9
Average	4,210	394	10.7

Sources: Canada Packers Limited, Returns of Information dated October 12, 1956 and November 30, 1956 (in the case of Fresh Pork, corrected figures as in Exhibit H-96), and Canada Packers Limited accounting records.

(Exhibits H-96, H-97)

Mr. McLean said that the fastest the Company had been able to turn over the inventory of beef was once about every 4 days; this involved $1\frac{1}{2}$ days for chilling and $2\frac{1}{2}$ days to sell it (Hearing, p. 828). Canada Packers attempts to ship fresh pork the day after slaughter (Hearing, p. 803). This difference in rate of turnover for fresh beef and pork is reflected in the figures in the above table for number of days' production on inventory.

In the case of frozen meat inventories, Canada Packers' share of total inventories reported tends to be a smaller proportion than its share of inspected livestock slaughter, as shown in Table 55.

Table 55

Comparison of Canada Packers Limited - Percentage of Inspected Livestock Slaughter and Average Percentage of Total Canada Frozen Meat Inventories, 1955

	Canada Packers' Percentage of Inspected Livestock Slaughter (a)	Canada Packers' Average Percentage of Frozen Meat Inventories (a)
Beef	34.7	22.1
Pork	28.5	13.3 (b)
Veal	34.9	22.6
Lamb	42.2	32.4
Average		17.8

(a) Excludes Wilsil and Calgary Packers.
(b) Adjusted to exclude frozen pork fancy meats.

Sources: Canada Packers Limited Accounting Records and Canada Packers Limited, Returns of Information dated October 12, 1956 and November 30, 1956.

(Exhibit H-100)

A similar comparison for Calgary Packers Limited and Wilsil Limited is made in Table 56.

Table 56

Comparison of Calgary Packers Limited and Wilsil Limited
Percentage of Inspected Livestock Slaughter and Average
Percentage of Total Canada Frozen Meat Inventories, 1955

	Percentage of Inspected Livestock Slaughtered		Percentage of Frozen Meat Inventories	
	Calgary Packers	Wilsil	Calgary Packers	Wilsil
Beef	2.3	1.6	1.1	3.1
Pork	1.5	2.1	0.9	2.4
Veal	0.6	6.8	0.5	3.1
Lamb	0.5	1.5	-	7.7

Sources: Calgary Packers and Wilsil Accounting Records, and Wilsil Limited Return of Information dated October 5, 1956; Calgary Packers Limited Return of Information dated October 12, 1956.

(Exhibit H-101)

With reference to the contention of the Director that control of large cold storage capacity gave Canada Packers more flexibility in slaughtering, Mr. McLean pointed out that as carcasses are put in coolers only the cooler capacity should be considered. Table 57 relates cooler capacities at the various plants of Canada Packers to maximum daily slaughter and average daily slaughter.

Table 57

Cooler Capacities at Canada Packers Limited Plants in Relation to Daily Slaughter, Year Ended March, 1955

Plants	Cooler Capacities (carcasses)	Maximum Daily Slaughter Achieved (carcasses)	Cooler Capacities in No. of Days Maximum Slaughter	Average Daily Slaughter (carcasses) 1955(a)	Cooler Capacities in No. of Days Average Slaughter
Cattle					
Charlottetown	124	80	1.55	27	4.59
Saint John	165	80	2.06	16	10.31
Montreal	2,468	520	4.75	178	13.87
Wilsil	2,198	280	7.85	222	9.90
Hull	1,015	224	4.53	112	9.06
Peterborough	270	160	1.69	65	4.15
Hunnisett	680	280	2.43	181	3.76
Toronto	4,416	1,040	4.25	814	5.43
Winnipeg	2,660	960	2.77	462	5.76
Moose Jaw	100	48	2.08	20	5.00
Edmonton	1,110	520	2.13	275	4.04
Calgary	840	240	3.5	181	4.64
Vancouver	940	224	4.44	113	8.8
Hogs					
Charlottetown	1,134	880	1.29	214	5.3
Saint John	250	480	.52	40	6.25
Montreal	2,360	3,360	.7	847	2.79
Wilsil	3,100	3,360	.92	482	6.43
Hull	1,740	3,200	.54	448	3.88
Peterborough	1,700	2,080	.82	365	4.66
Hunnisett	-	-	-	-	-
Toronto	4,280	4,000	1.07	1,785	2.4
Winnipeg	3,240	3,840	.84	979	3.31
Moose Jaw	210	480	.44	49	4.29
Edmonton	1,680	2,400	.7	1,058	1.59
Calgary	972	2,400	.41	326	2.98
Vancouver	660	1,200	.55	286	2.31

(a) Includes custom slaughtered livestock.

Source: Canada Packers Limited accounting records.

(Exhibit H-99)

In the case of plants at Saint John, Montreal, Wilsil, Hull and Vancouver the cooler capacity in relation to rate of slaughter is larger than at other plants because carcasses are shipped to these plants from other provinces, particularly Alberta, and hung in the coolers on arrival. It was suggested that the cooler capacities at Canada Packers' plants are directly related to the operating requirements of each plant.

The considerations which the meat packer takes into account in deciding on the amount of pork to be placed in cold storage were described by Mr. W.F. McLean as follows:

"A. . . . Frozen pork is the important storage program in Canada. The pork is generally frozen in the late fall or winter months and put into consumption as cured and/or smoked meats in summer months.

The reason for that, of course, is that the hog deliveries are much heavier in the late fall and winter months than they are in the summer months.

When the packer freezes pork in the fall or winter months he tries, first of all, to estimate what deliveries of hogs will be the next summer. Some information is available now on this subject. Both the Dominion Bureau of Statistics and the Department of Agriculture publish an estimate of what they think hog marketings are going to be; and many packers, I presume, - including Canada Packers - make their own estimate of what the hog marketings are likely to be.

Then, knowing - or rather, not 'knowing' - but having estimated what the hog deliveries are likely to be in the summer months, he is then in a position to judge whether they will be nearly adequate for the summer consumption, or quite inadequate to fulfil the summer consumption, and to judge, in total, how much frozen pork is likely to be required to make up the deficiency.

Now, the deficiency of course depends upon what price level pork meat will be sold at during the summer. So the packer must judge whether the price at any time in the fall is sufficiently low that he can add those two cents a pound to it, and put it in storage, and pay the storage through until the summer time, and wind up with a total quantity in the country, of pork, both

including hog deliveries and freezer stocks, in the summer, so that all of that will move into consumption at a price high enough to allow him to at least get his money back on the product he has put into storage."

(Hearing, pp. 814-15)

As in other phases of its operations Canada Packers realizes that its activities with respect to cold storage are of such a magnitude that at particular times they may have a substantial influence on the market. At the same time the actions of the Company must be related to market trends or there is danger of unprofitable operations. This principle was referred to by the then President of Canada Packers on August 21, 1952:

". . .

Within the last fiscal year we lost at least a million and a half dollars by failing to follow an operating principle which had been firmly established long before Canada Packers was formed. It was based on the fact that no one, however able and however careful a student of markets, can predict market trends.

. . .

The operating principle was immediately laid down that no one could guess market trends; that in the rapidly fluctuating markets in which we operate, the only safe course is to play deliberately for an average and to maintain a stable inventory;- to follow the market up or down, playing for a trading profit rather than an inventory profit.

Only one deviation from this principle was permitted. When the market dropped to a very low point, we permitted ourselves a certain increase in inventory. However, this increase in inventory was strictly limited and was decided upon only after general consultation.

On the other hand, when the market reached a very high level, we permitted ourselves to reduce inventories somewhat, again only after all-round consultation.

. . .

Our cruel losses of last year were not entirely due to deviation from this rule. There was a strong element of bad

luck. I shall not now go into detail on this. It is sufficient to say that, in essence, the misfortunes which befell us last year were due to the fact that we departed from our established operating principles. And when we did find ourselves in a very long position, we failed to take steps to hedge. . . .

. . ."

(EKB 52-65)

The interest of Canada Packers in having advantageous conditions for the sale of meat products out of storage was mentioned by Mr. N.J. McLean in a letter of July 7, 1954:

"I was very pleased to see Montreal Hogs hold steady Monday
at .. .. 34.50¢,
instead of declining to the Toronto price of .. 33.50¢
as you feared they might.

Providing we are good enough to clean up each week current marketings plus our full withdrawal quota from freezer, we must do everything we can to firm up Hog prices so as to reduce our cruel losses on Freezer Pork.

. . .

Indeed, we must set ourselves the definite target of catching up the next three weeks the full amount that we are short on freezer withdrawals to date. This will mean bringing four weeks quota out of storage the next three weeks.

. . ."

(EKB 1119-1120)

The same underlying considerations were referred to by Mr. H.M. Murray in a memorandum prepared for a Plant Managers' Meeting on June 23, 1955:

". . .

There is, of course, a very substantial improvement because in the month of June last year, provisions lost ..$112,560.00.. and the freezer lost ..$400.00. (4 weeks ended 23rd June, 1954.) At this time last year, we were well into the trouble that cost us ..$657,000.00.. in freezer losses and ..$375,000.00 in provision operating losses before we got out of the woods.

> . . .
>
> There is another point which I mentioned in my letter a couple of weeks ago. We must keep clearly in mind that we are not fighting for a low hog market. We want the highest possible market that will move all the hogs, plus the freezer stock. The higher the market, the better our freezer result. I repeat this statement because I want to emphasize that we are not trying to bring about a downward recession in hog prices. Our job is merely to see that we do not let hog costs get past the point where we can make a profit on our current operations and take out our freezer reserves in an orderly manner.
>
> Our present feeling is that hog costs have already passed that point. Further hog advances could only result in a downward swing of the pendulum which would cost us a lot of money on our freezer stocks.
>
> . . ."

(EKB 2202A-2230)

The scale on which Canada Packers is able to act is indicated in a letter of August 11, 1955 from Mr. G.H. Dickson to the Company's Provision Managers in Canada which describes the purchase of 250, 000 lb. of fresh frozen pork bellies from the Quebec Co-opérative Fédérée. The letter went on:

> ". . .
>
> By covering something less than our estimated requirements, we are now free to pick up the odd cheap car through brokers, which should result in putting some strength in the belly market.
>
> We now have a real opportunity of doing a sales job. We own the cheapest bellies in Canada, which not only affords us a volume opportunity but also a profitable one.
>
> The purpose of this letter is to caution all plants against this information getting out to the trade, and also to stress the importance of each and every unit's getting behind a real sales drive on bacon.
>
> You can appreciate that if competitors holding freezer stocks were to learn we had covered practically our

requirements for the next month, they might break the belly market."

(EKB 558A-561B)

The modification of buying policy in expectation of influencing the market is shown in two letters of Mr. C.C. Babcock to all Plant Managers:

<u>February 15, 1957</u>

". . .

Furthermore, we have decided we will discontinue purchasing product from competitors for Easter or Storage Programme for at least the next week.

The fact that Canada Packers will be purchasing such a small amount of product in the next week should have some effect on the cut market, especially on the ham cut.

. . .

It would appear as if these hog markets are on a very high level and that we are very close to the breaking point. We therefore must operate by keeping stocks in good shape so that we can take advantage of lower costs of product from hogs as soon as we are successful in breaking the hog market."

(EKB 2324-2328)

<u>March 1, 1957</u>

". . .

You will note the shortage for the next two weeks is only a total of - 705 hogs.
This will enable us to stay off the cut market for the next week to ten days. We feel this will help to get the cut market down to a level at which we would be willing to accumulate further storage product and Easter product.

. . .

As pointed out previously, we are freezing any surplus product from our own cut at prices issued earlier in the week.

However, during the week we may offer small lots of hams to competitors in order to keep the heat out of the ham market. We do not wish to buy product from competitors at this time. However, we will be doing some bidding in the General Provision Department in an effort to get the cut market on a somewhat lower level and it might be possible that we might own the odd car of product operating on this basis.

. . ."

(EKB 134A-139B)

The foregoing illustrations of marketing policy of Canada Packers make clear that the range of the Company's activities is so wide and diversified that it possesses considerable power to modify its buying or selling arrangements in a way which may be expected to have some influence on day to day market behaviour. Such modifications, however, will only have the expected results if they conform to underlying market trends.

The storage facilities operated by Canada Packers and the stocks of meat products which it has in storage appear to be related to the general scale of operations of the Company. Although, as discussed above, the buying and selling policies of Canada Packers may be directed in an effort to secure desired market results the use of cold storage stocks would appear to be merely one facet of the Company's operations. For this reason the Commission does not consider that extension of market power should be attributed to the cold storage position of Canada Packers.

CHAPTER XIII

POULTRY AND DAIRY PRODUCTS

1. Poultry

During the past decade poultry raising in Canada has been undergoing a tremendous technological development. This has resulted from the introduction of special strains of chickens and turkeys which have a rapid rate of growth in relation to the amount of feed given to them and which reach marketable size in a relatively short period. In addition, methods of controlling poultry diseases have been developed which permit the raising of poultry in large aggregations so that mass production can be carried on. Greater knowledge of nutrition has enabled the feed manufacturer to produce the most effective rations for rapid growth of poultry.

In the field of poultry raising the major development has been the rapid growth of the chicken broiler industry which has been assisted by the acceptance by retailers and consumers of pre-packaged eviscerated poultry.

Entry into the production of chicken broilers requires substantial investment. According to the evidence of Mr. W. W. Lasby, a good economic unit would be one capable of housing 20,000 broilers and producing about 4 crops a year. The capital required to provide buildings for this number of chickens, to purchase baby chickens and feed, would amount to about $50,000. As few producers had this amount of capital the feed companies, processors or hatchery operators provided financial assistance to producers willing to raise chickens under agreed arrangements (Hearing, pp. 1394-95). A general description of such arrangements is given in a letter of July 19, 1956 from Mr. F.A. Wiggins, General Produce Manager of Canada Packers, to Mr. A.J.E. Child, then Vice-President and Treasurer of the Company:

> "We have been very anxious to stimulate the production of broilers because greater production means increased sales of Shur Gain Feed and increased dressed poultry sales.
>
> . . .
>
> It has been necessary to give growers some financial assistance or a guarantee against loss.

We, and most of our competitors have been giving some help.

The various methods are:

(1) Guarantee a definite price for the birds, at time of marketing. This guarantee is given before the chicks are put on feed and sometimes for 2 or 3 successive crops. We have refused to do this in Ontario and Quebec. Winnipeg has a few flocks on this basis but are switching on to another programme.

The history of this programme both in the U.S. and here has proven that it is very disastrous.

(2) Long term credit is extended to the grower by the Hatchery or Feed Mill or processor for the cost of feed and or chicks, and in some cases for equipment or even part payment for the buildings.

We have a programme of giving credit for the feeding of one crop on an agreement with the grower that:

(a) He buys the chicks that we recommend.

(b) He places these on feed to fit into our schedule.

(c) He feeds Shur Gain Feed.

(d) He gives us first chance to buy the flock.

(e) He agrees to pay 6% interest.

(f) Payment of our account will be deducted from the remittance for the poultry when sold.

We have been careful in the selections of accounts. This service does not cost us anything and we have had no losses.

We have purchased all the flocks under this programme.

(3) In the case of a grower not being willing to take the risk of market price we have a programme whereby we buy the baby chicks and supply the feed and the grower provides everything else (buildings, litter, heat, water, etc.). We own the birds and pay him a fee of 1 1/4¢ per bird per week, in some cases a premium is paid for a very good performance.

This programme has proven very useful in Quebec and we introduced broiler growing in many parts of Ontario by this means. . . .

. . ."

(EKB 2083-2086)

Mr. Lasby estimated that between 80 and 90 per cent of the production of chicken broilers takes place under some sort of contract (Hearing,pp. 1418-19).

The great increase in the production of chicken broilers in Canada is shown in Table 58.

Table 58

Comparison of Total Canadian Chicken Broiler Production and Total Commercial Poultry Supply Available for Consumption in Canada, 1953-59

Year	Total Commercial Supply of Poultry Available for Consumption in Canada [(a)]	Marketings of Chicken Broilers through Registered Stations [(b)]	Chicken Broiler Production as a Percentage of Total Commercial Supply Available for Consumption in Canada
1953	266,114	23,138	8.7
1954	291,665	38,410	13.2
1955	347,104	47,238	13.6
1956	394,284	79,831	20.2
1957	391,403	97,271	24.9
1958	430,085	136,017	31.6
1959	474,843	149,528	31.5
% Increase 1953-59	78.4	546.2	

(a) Total Commercial Supply is the total Canadian production of poultry less the quantity consumed by producers, plus imports and less exports of poultry.

(b) Dressed weight converted to eviscerated weight at 77 per cent.

Sources: Dominion Bureau of Statistics, Production of Poultry and Eggs, and Department of Agriculture, Poultry Products Market Review.

The growth of mass production methods of poultry raising and the distribution of eviscerated poultry led to a rapid increase in the number of poultry processing stations and the development of plants capable of handling very large numbers of birds. Between 1949 and 1954 the number of poultry processing stations in Canada increased from 166 to 264 (Exhibit H-150).

Canada Packers began eviscerating chicken broilers at a plant at Clinton, Ontario in 1952 and in the same year built a plant for the same purpose at Mount Forest, Ontario. In the following year the Company began eviscerating poultry at Joliette, Quebec. The weekly capacity of plants then being operated by the Company is given in a letter of July 9, 1956 from Mr. F.A. Wiggins to Mr. G.A. Schell which suggested the need for larger plants:

". . .

We now have processing plants equipped to kill and eviscerate poultry at:

Joliette	-	Capacity	70,000 birds
Mount Forest	-	"	30,000 "
Walkerton	-	"	30,000 "
Clinton	-	"	25,000 "
Winnipeg	-	"	40,000 "
Moose Jaw	-	"	25,000 "
Saskatoon	-	"	25,000 "
Sardis	-	"	10,000 "

We can package and freeze poultry at:

Winnipeg
Moose Jaw
Saskatoon
Paton Road [Toronto]
Sardis.

In Eastern Canada our method of distribution is cumbersome and too costly. Most of the poultry is sold fresh, packed in baskets, in ice.

In the Prairie Provinces where broiler production has not developed, the plants are idle 7 or 8 months and the overhead is too high for only 4 or 5 months' operating.

All our plants are too small to secure maximum efficiency and low unit operating costs.

> In order to keep pace with the development in the poultry industry, we must provide proper processing plants. This will mean a big investment and we wish to plan it carefully.
>
> . . ."

(EKB 2087-2089)

According to the evidence of Mr. Lasby, a poultry plant is also operated by Canada Packers at Edmonton. He said that the plant at Saskatoon was expanded in 1956 and that at Edmonton in 1959. In 1958 Canada Packers bought a controlling interest in Canard Poultry Ltd. with a plant at Port Williams, Nova Scotia, which processes between 20,000 and 25,000 broilers a week (Hearing, pp. 1465-67).

The size of poultry processing plant which might be expected to give the best results was said to be one with a minimum capacity of 2,500 birds per hour in a letter of August 16, 1957 from Mr. F.A. Wiggins to Mr. N.J. McLean:

> ". . .
>
> In the main, the good costs are coming from the Plants that have a capacity to kill a minimum of 2,500 birds per hour, and equiped [sic] with the latest types of automatic equipment.
>
> . . .
>
> Experience in the United States, and our limited experience here leads us to conclude that the most profitable operation is one of complete integration.
>
> We have therefore:
>
> 1. Established our breeding flocks for both chicken and turkeys.
>
> 2. We have established a Hatchery. We have processing Plants which at the present time are quite inadequate to process the quantities that we require for our trade. We are not holding our percentage.

3. We have our own feed production and this expansion in the poultry business has been very favourable to the Feed Division, and is providing them with substantial increases in sales because all broiler and turkey feeds are high protein prepared feed.

4. And of course, our Sales Organization can sell substantially increased quantities.

We have already approved expenditures for the engineering on an expansion for Joliette Plant, and we are studying the possibility of establishing a Plant near Toronto with a capacity of 5,000 birds an hour, and equiped [sic] to handle heavy turkeys.

. . ."

(EKB 1588-1592)

Canada Packers has operated 11 small hatcheries in Western Canada which produce about 2 per cent of the total hatchery production in Manitoba and Saskatchewan. A hatchery is operated in conjunction with Spruceleigh Farms at Brantford, Ontario, in which Canada Packers has had a controlling interest since 1956. The production of Spruceleigh Farms constitutes about 5 or 6 per cent of the Ontario chicken hatch and about 7 per cent of the turkey hatch (Hearing, pp. 1476-77).

Canada Packers' share of poultry marketings is shown in Table 59.

Table 59

Total Commercial Poultry Supply Available for Consumption in Canada, Canadian Poultry Marketings through Registered Stations vs. Canada Packers Limited Poultry Sales, 1949-58

(000's Pounds Eviscerated Weight)

Year	Total Commercial Supply Available for Consumption in Canada (a) (1)	Marketings through Registered Stations (2)	Per Cent 2 is of 1 (3)	Canada Packers Limited Sales (4)	Per Cent 4 is of 2 (5)	Per Cent 4 is of 1 (6)
1949	173,006	N/A		12,391		7.2
1950	175,584	58,737	33.5	15,773	26.9	9.0
1951	225,320	77,424	34.4	16,208	20.9	7.2
1952	266,608	93,378	35.0	23,571	25.2	8.8
1953	266,114	99,596	37.4	27,152	27.3	10.2
1954	291,665	131,449	45.1	34,130	26.0	11.7
1955	347,104	141,105	40.7	36,141	25.6	10.4
1956	394,284	195,657	49.6	42,991	22.0	10.9
1957	391,403	221,009	56.5	49,886	22.6	12.7
1958	430,085	274,186	63.8	55,793	20.3	13.0

(a) Total Commercial Supply is the total Canadian production of poultry less the quantity consumed by producers, plus imports and less exports of poultry.

Conversion percentages for marketings through registered stations	- Dressed weight to eviscerated weight -	Chicken & Fowl	-	77%
		Turkeys	-	85
		Ducks	-	77
		Geese	-	80

Canada Packers' sales are recorded with dressed and eviscerated weights mixed. For this table the percentage of eviscerated weight in Canada Packers' sales is calculated to be the same as the percentage of eviscerated weight in Canada Packers' production. Dressed weight has been converted to eviscerated weight at 80 per cent.

Sources: Dominion Bureau of Statistics, Production of Poultry and Eggs, 1958; Department of Agriculture, Poultry Products Market Review; and Canada Packers Limited accounting records.

(Exhibit H-152)

It will be seen that while Canada Packers has increased its sales of poultry sufficiently to increase its share of total poultry marketings, its share of marketings through registered poultry stations has been declining in recent years in spite of large increases in quantities sold. Canada Packers has processed in its own plants about 50 to 60 per cent of the poultry it sold, as will be seen from Table 60.

Table 60

Total Commercial Poultry Production and
Canada Packers Limited Production
and Sales of Poultry, 1949-58

(000's Pounds Eviscerated Weight)

Year	Total Commercial Production (a)	Canada Packers Limited			
		Production	Per Cent Canada Packers Limited is of Total Commercial Production	Per Cent Canada Packers Limited is of Marketings through Registered Stations	Sales
1949	186,554	7,826	4.2	-	12,391
1950	178,782	8,667	4.8	14.8	15,773
1951	221,388	9,204	4.2	11.9	16,208
1952	267,586	10,296	3.8	11.0	23,571
1953	256,807	12,206	4.8	12.3	27,152
1954	283,004	16,072	5.7	12.2	34,130
1955	332,507	19,426	5.8	13.8	36,141
1956	372,180	25,038	6.7	12.8	42,991
1957	278,416	27,794	7.3	12.6	49,886
1958	418,686	32,553	7.8	11.9	55,793

(a) Total Commercial Production is the total Canadian production of poultry less the quantity consumed by producers.

Sources: Exhibits H-150, H-151 and H-152.

Canada Packers' share of the total production of chicken broilers has also declined but it has maintained its share of the market for chicken broiler feed, as will be seen from Table 61.

Table 61

Canada Packers Limited Estimated Percentage Share of Eviscerated Chicken Broilers Processed through Registered Stations and Chicken Broiler Feed Sales[(a)] in Canada, 1954-58

Year	Chicken Broilers Eviscerated by Canada Packers as Per Cent of Total Chicken Broilers Eviscerated in Registered Stations[(b)] (by weight)	Canada Packers' Sales of Chicken Broiler Feed as Per Cent of Canadian Sales of Chicken Broiler Feed (by weight)
1954	33.7	23.0
1955	23.7	22.1
1956	18.2	22.5
1957	16.9	23.4
1958	15.1	23.2

(a) Canada Packers Limited Feed Division (including Canadian Subsidiaries) share of sales of complete feeds and concentrates reported to Dominion Bureau of Statistics for inclusion in Shipments of Prepared Stock and Poultry Feeds, Dominion Bureau of Statistics annual publication.

Concentrates are expressed in equivalent tons of complete feeds, using Dominion Bureau of Statistics conversion factors.

(b) Production of broilers eviscerated in registered stations is the large part of the total production of broilers.

Sources: Department of Agriculture, Poultry Products Market Review; Dominion Bureau of Statistics, Shipments of Prepared Stock and Poultry Feeds; Canada Packers Limited accounting records.

(Exhibit H-155)

The chicken broiler industry would still appear to be in a stage of rapid change and development and it remains to be seen to what extent production and processing will be concentrated in large units. Some information as to the scale on which contracts for chicken growing are lost and gained was given the Commission by Canada Packers with reference to its operations in Ontario.

Table 62

Number of Chicken Broiler Contracts Held by Canada Packers Limited in Ontario as at January 4, 1960 and Additions and Deletions to May 25, 1960

	Total Number of Contracts
Number of Contracts as at January 4, 1960	81
Broiler Contracts Terminated	
Lost to competitors	13
Discontinued contracts	11
Changed to other types of poultry with no contract	6
Ceased operating	6
	36
New Contracts with Producers	
Acquired from competitors	31
New growers	4
	35
Total number of contracts as at May 25, 1960	80

Source: Canada Packers Limited Poultry Department Records.

(Exhibit H-154)

From Table 62 it would seem that Canada Packers occupies a relatively strong position as it gained from competitors more than twice as many contracts as it lost to competitors.

2. Eggs

Canada Packers has been a substantial wholesale merchant of eggs as part of its activities in supplying a wide range of provisions to its customers. Mr. Lasby said that in recent years the production of eggs has tended to become more even throughout the year while previously there had been wide seasonal fluctuations. In former years Canada Packers had put large quantities of eggs into storage for sale during the months of low production. In those years Canada Packers' holdings of stored eggs might have amounted to 25 per cent of the eggs in storage but now the Company stores very few eggs (Hearing, p. 1481).

Another significant development in the trade in eggs is that a large part of the business is now done by chain store companies which buy directly from producers and may operate their own grading plants. This development is referred to in a memorandum of October 9, 1956 prepared by Mr. F.A. Wiggins:

> ". . .
>
> We are not going any place in the egg business at present, Chiefly because we are still depending on the small producer for our supply of eggs. The trend to larger flocks is already established in Canada. Most of the larger operators are selling their eggs direct to the retailers and if not can demand a price that does not leave a profitable margin for the distributor.
>
> . . ."

(EKB 2073-2076)

Although Canada Packers continues to market substantial quantities of eggs, its sales have not kept pace with the growth in production.

Table 63

Total Commercial Supply of Eggs Available for Consumption in Canada vs. Canada Packers Limited Sales of Eggs, 1950-58

(000's Dozen)

Year	Total Commercial Supply Available for Consumption in Canada [a]	Canada Packers Limited Sales [b]	Per Cent 2 is of 1
	(1)	(2)	(3)
1950	205,093	23,203	11.3
1951	212,223	22,084	10.4
1952	267,975	21,861	8.2
1953	290,429	22,463	7.7
1954	322,406	22,270	6.9
1955	326,130	25,649	7.9
1956	342,846	24,796	7.2
1957	377,505	25,200	6.7
1958	267,698	24,923	6.8

(a) Total Commercial Supply is the total Canada net production of eggs less the quantity consumed by producers and eggs used for hatching; plus imports and less exports of eggs.

(b) Includes shell and frozen eggs - frozen eggs converted to shell eggs at 38.5 pounds per case of 30 dozen.

Sources: Dominion Bureau of Statistics, Production of Poultry and Eggs, 1958; Canada Packers Limited accounting records.

(Exhibit H-156)

3. Butter

The trade in butter has been affected substantially by the increased use of margarine and by the Federal Government price support plan for butter. Over the period 1950-59 the stocks of butter stored by Canada Packers averaged 2.3 per cent of total stocks of butter in storage and during 1959 Canada Packers held less than 1 per cent of total stocks in storage (Exhibit H-159).

Canada Packers produces about one-quarter of the butter which it sells and currently operates 7 creameries in Ontario and 5 in Manitoba (Hearing, p. 1486). In 1956 the Company had operated 10 creameries in Ontario and 6 in Manitoba.[1] Although large merchandising organizations may purchase butter directly from producers as in the case of eggs mentioned in the previous section, Canada Packers has continued to be a substantial distributor of butter. In view of the very large number of producers in this field its share of total sales, which is in the neighborhood of 10 per cent, represents a more significant portion of the trade than would be the case in a field less widely dispersed.

---

1 Canada Packers Limited, Return of Information dated October 12, 1956.

Table 64

Canada Packers Limited - Share of Sales of Butter, 1946-55

(000's Pounds)

Year[a]	Domestic Disappearance of Butter	Sales of Butter by Canada Packers Limited	Canada Packers Limited Percentage Share
1946	315,931	22,162	7.0
1947	351,791	25,269	7.2
1948	370,153	22,884	6.2
1949	316,621	19,845	6.3
1950	306,210	26,168	8.5
1951	297,307	24,616	8.3
1952	300,406	24,879	8.3
1953	308,689	24,510	7.9
1954	314,719	31,805	10.1
1955	321,933	31,971	9.9

(a) For domestic disappearance, the calendar year is used. For Canada Packers' sales, the fiscal year ending in March is used.

Sources: Canada Packers Limited, Return of Information dated October 12, 1956 and Dominion Bureau of Statistics, Dairy Statistics.

4. Cheese

Canada Packers engages in the wholesaling of cheese and operates one of the twelve processed cheese plants in Canada. Its share of sales of cheese has declined substantially since 1946.

Table 65

Canada Packers Limited - Share of Sales of Cheese, 1946-55

(000's Pounds)

Year[(a)]	Domestic Disappearance of Cheese	Sales of Cheese by Canada Packers Limited	Canada Packers Limited Percentage Share
1946	52,672	7,278	13.8
1947	66,013	8,588	13.0
1948	62,048	6,987	11.3
1949	70,373	6,517	9.3
1950	76,523	8,205	10.7
1951	79,896	7,883	9.9
1952	84,129	7,105	8.4
1953	91,669	7,364	8.0
1954	97,186	7,075	7.3
1955	104,029	6,783	6.5

(a) For domestic disappearance, the calendar year is used. For Canada Packers' sales, the fiscal year ending in March is used.

Sources: Canada Packers Limited, Return of Information dated October 12, 1956 and Dominion Bureau of Statistics, Dairy Statistics.

5. Ice Cream

Canada Packers has only one plant producing ice cream, at Harriston, Ontario. This plant had been operated by Gunns Limited prior to the merger in 1927. The production of ice cream by Canada Packers amounted to slightly less than 5 per cent of the total production in Ontario in 1954 (EKB 983-994). Canada Packers has not acquired any ice cream business and Mr. Lasby stated that the Company has no plans for acquisition in this field (Hearing, p. 1454).

CHAPTER XIV

FRESH AND CANNED FRUITS AND VEGETABLES

1. Fresh Fruits and Vegetables

It was suggested by the Director that meat packers engaged in the distribution of fresh fruits and vegetables in order to utilize "what was thought to be idle capacity in the far-flung distribution organization made necessary by the storage and delivery problems connected with the perishability of meat".

Canada Packers became engaged in the distribution of fresh fruits and vegetables as a result of the fact that two of the companies which entered the merger in 1927 were already in that business. It was stated by Mr. W.W. Lasby that the entry of the original companies into the produce business was not for the reason suggested by the Director but in order to round out the line of provisions being supplied to lumber camps which were large purchasers of beans and potatoes (Hearing, p. 1496). In Canada Packers' operations, the distribution of fruits and vegetables has been conducted at the branches either in separate premises or in a building or part of a building that had to be specially prepared for fruits and vegetables. The sale of fresh fruits and vegetables is handled, not by packinghouse salesmen, but by a separate sales staff and separate delivery. In Canada Packers' view the handling of fresh fruits and vegetables cannot be mixed with meats (Hearing, pp. 1521-22).

The volume of fresh fruits and vegetables handled by fresh fruit and vegetable branches of Canada Packers expanded rapidly after the war, with the fastest rate of growth in the period 1945 to 1950. Canada Packers did not have a fresh fruit and vegetable branch at Montreal where it is necessary, as it is at Toronto, to lease space at the food terminal to engage effectively in the business. In 1952 Canada Packers acquired Masson & Sons Limited, which was engaged in the fresh fruit and vegetable business at Montreal. In 1956 Canada Packers expanded its operations in this field at Montreal by acquiring Parent Goyer et Cie which was classed as a service wholesaler, whereas the Masson firm was described as a supplier to jobbers, chains and small wholesalers. In a letter dated November 29,

1956 to Canada Packers' branches, Mr. C.A. Stewart, General Manager of the Fruit and Vegetable Division, described the acquisition of Parent Goyer et Cie as follows:

> "You will be happy to know that our Division is still expanding and that our latest accomplishment is the purchase of
>
> Parent Goyer et Cie
> 64 Bonsecours Market
> Montreal, Quebec.
>
> This is a long established business and one of the most reputable in Montreal, doing a business at present of upwards of one and a half million dollars per year.
>
> . . .
>
> This operation will give us the type of business, a service wholesale, which has been required in Montreal to round out our operation here.
>
> . . .
>
> It will be operated in conjunction with the Masson business which caters mostly to jobbers, chains and smaller wholesalers.
>
> . . .
>
> This operation will not only improve our position on the Montreal Market but will substantially increase our buying power and our turnover.
>
> . . ."

(EKB 2343-2344)

One other acquisition of a produce firm has been made by Canada Packers. Porters Limited, Perth, N.B., a firm of potato dealers, was acquired in 1956. According to the evidence of Mr. W.W. Lasby Canada Packers had been approached some years earlier to buy the business but the Company's Manager of the Maritimes Fertilizer and Feed Division thought that the acquisition of a potato firm might interfere with sales of fertilizers to other

dealers who were in competition. However, Canada Packers had been building up an export trade in potatoes and by 1956 it was considered that having a potato business would assist the export trade as well as being a profitable operation in itself (Hearing, pp. 1523-24). The volume of fresh fruits and vegetables handled by Canada Packers before and after the acquisition of the three firms mentioned above is shown in Table 66.

Table 66

Canada Packers Limited - Fruit and Vegetable Volume, Fiscal Years ending March 1935, 1940, 1945, 1950-60

(000's Pounds)

Fiscal Year Ending March	Total Volume Canada Packers Limited Fruit and Vegetable Branches	Masson & Sons Volume (a)	Parent Goyer & Cie Volume (b)	Perth, N.B. Volume (c)	Total Volume (d)
1935	5,243				5,243
1940	6,862				6,862
1945	15,411				15,411
1950	44,180				44,180
1951	49,132				49,132
1952	50,594				50,594
1953	56,012	11,715			67,727
1954	61,982	16,423			78,405
1955	66,284	17,582			83,866
1956	74,511	20,919			95,430
1957	80,642	26,411	4,321	1,802	113,176
1958	85,442	20,396	13,864	2,461	122,163
1959	81,448	24,640	12,624	3,215	121,927
1960	76,101	30,103	13,840	2,782	122,826

(a) Masson & Sons Limited acquired on May 3, 1952.
(b) Parent Goyer & Cie acquired on November 17, 1956.
(c) Acquired on August 17, 1956.
(d) Includes export shipments in 1953 and subsequent years.

Sources: Exhibits H-160 and H-161.

It will be seen from Table 66 that the volume of fresh fruits and vegetables handled at Canada Packers' branches, other than Montreal, reached a peak in 1958 and declined in the following two years.

2. Canned Fruits and Vegetables

The companies which merged to form Canada Packers in 1927 had apparently been engaged in the distribution of canned fruits and vegetables as wholesalers and about the time of the merger the first canning factory was opened. Over the years the Company has conducted canning operations at a number of locations in Eastern and Western Canada and although four canning or processing plants were operated in 1943 and also in 1959-60 only one of the four locations, Brantford, was the same in both periods. Other locations were apparently abandoned because they did not produce satisfactory results.

In a letter of June 7, 1950 to all Plant Managers, N.J. McLean wrote:

> ". . .
>
> I need not remind you that Canned Goods is still the 'sick baby' of Canada Packers.
>
> In the last three years, it has lost close to $1,000,000.00, and there is no other Department in the whole of Canada Packers in which we are so anxious to make a comeback this year.
>
> . . ."

(EKB 1094)

In an address prepared for the Company's Sales Conference in April, 1956 Mr. W.F. McLean described the setting up of a subsidiary corporation to handle the business in canned goods and frozen fruits and vegetables. His address included the following:

> ". . .
>
> The Canned Goods and Frozen Fruits and Vegetables Department is being changed in a somewhat similar way.

> We are forming a separate company to deal with the manufacture and sale of these products. In the main, the same reasons as in the case of the Soap Department led us to this decision.
>
> You all know that we have never been successful at making profits in canned goods. This was not the fault of the salesmen. Our new organization will be in a position to compete on equal terms with successful companies in the industry.
>
> We are confident that this change is the first step to success in the canned goods field. The selling by the new company will be done mainly through wholesalers, but our Quebec Branch and our Maritime Branches will still play a part.
>
> Let me say that these changes do not, in any sense, indicate a lack of faith in the Canada Packers sales force. They are a recognition that our system for selling and handling fresh meats is not suitable to compete in the soap trade and the canned goods trade.
>
> . . ."

(EKB 2121A-2135)

In 1959-60 Canada Packers operated canning or processing plants at Brantford and Burford in Ontario and at Sardis and Osoyoos in British Columbia. Prior to 1957 canneries were operated in Ontario at Brighton and Niagara-on-the-Lake but operations were consolidated at the Burford plant, which was expanded and a large freezer for frozen foods was installed (Hearing, p. 1533). The Brantford property was one included in the merger in 1927. Canning operations were first undertaken at Brantford in 1930 and after the factory was destroyed by fire in 1941 a new plant was built.[1] The property at Sardis, B. C. had been a milk plant, and a canning plant was established by Canada Packers after the property was purchased in 1948. The cannery at Burford was purchased in 1950 and subsequently expanded. The plant at Osoyoos was leased in 1955 and purchased the following year (Exhibit H-162; Hearing, pp. 1527-28). Canada Packers' sales of canned goods were estimated at about 9 per cent of the Canadian total in 1943.[2] The figures furnished the Commission for the years 1950 to 1955 show the Company's share at 7 per cent or less.

---

1 Canada Packers Limited, <u>The Story of Our Products</u>, 1943, pp. 199-200.

2 <u>Ibid.</u>, p. 205.

Table 67

Canada Packers Limited - Sales of Canned Fruits and Vegetables as Percentage of Total Canadian Consumption, 1950-55

(000's Pounds)

Year	Total Canadian Consumption [a]	Canada Packers Limited Sales [b]	Canada Packers Limited Sales as a Percentage of Total Canadian Consumption
1950	739,403	49,492	6.7
1951	764,018	53,828	7.0
1952	767,730	46,883	6.1
1953	856,340	48,945	5.7
1954	877,610	53,003	6.0
1955	864,257	48,319	5.6

(a) Total Canadian consumption includes canned tomato juice and ready-to-serve meals.

(b) Canada Packers Limited sales excluding pickles and olives, frozen fruits and vegetables.

Sources: Dominion Bureau of Statistics, Canned Foods Summary and Canada Packers Limited accounting records.

(Exhibit H-164)

CHAPTER XV

DIRECT BUYING OF LIVESTOCK

1. Causes and Extent of Direct Buying

The Statement of Evidence reviews in some detail information relating to direct buying of livestock available in the records of public inquiries, economic studies and the documents of Canada Packers obtained in the inquiry. The question of the effect upon returns to producers of the practice of meat packers buying livestock at their plants or at country points rather than at public stockyards has been a matter of public interest for a considerable number of years. The development of marketing boards, co-operative marketing arrangements and livestock auctions may be attributed, in part, to attempts by producers to improve their bargaining position in the face of the increasing scale of direct buying on the part of meat packers.

The position of public stockyards is described in the Statement of Evidence as follows:

> ". . . the development of public stockyards in Canada is largely a twentieth century phenomenon. Although a public stockyard at Lethbridge, Alberta was given recognition as recently as 1950, most of the important public stockyards in the country were operating by the end of World War I. Nevertheless a substantial part of all livestock flowing to market never did pass through the public stockyards but instead went directly from the farm to local butchers or packing plants. . . ."
>
> (Statement, p. 331)

In 1959 there were public stockyards at Vancouver, B.C.;[1] Calgary, Edmonton and Lethbridge in Alberta; Moose Jaw, Prince Albert, Regina and Saskatoon in Saskatchewan; Winnipeg, Manitoba; Toronto, Ontario and Montreal, Quebec. No public

---

1 As previously stated, the Vancouver stockyards ceased operation as a public market on June 1st, 1959.

stockyards existed in the Maritime Provinces.

The extent to which inspected meat packers have been making livestock purchases from sources other than public stockyards is shown in Table 68.

Table 68

Livestock Bought from Sources Other than Public Stockyards by Inspected Packers as a Percentage of Total Canada Inspected Slaughter, 1935-58

Year	Cattle	Calves	Hogs[a]	Sheep and Lambs
1935	26.0	35.2	68.0	42.7
1936	29.0	35.5	67.8	45.8
1937	29.5	42.4	70.3	48.4
1938	30.1	41.6	77.0	47.6
1939	31.9	42.2	79.8	48.8
1940	35.7	44.9	89.0	52.3
1941	37.3	43.1	86.1	51.6
1942	34.6	43.6	87.9	57.5
1943	37.5	43.1	88.6	53.4
1944	36.4	43.9	89.7	57.5
1945	38.4	46.8	88.2	55.1
1946	39.7	47.3	86.5	56.0
1947	42.0	48.7	85.6	60.5
1948	40.7	51.0	86.9	61.4
1949	44.6	55.9	87.3	64.8
1950	42.3	54.6	86.2	67.7
1951	39.2	57.0	87.4	67.7
1952	38.5	53.9	85.8	67.3
1953	37.4	57.8	85.9	70.4
1954	40.6	59.6	86.7	72.4
1955	42.1	61.7	87.6	71.6
1956	43.8	62.2	88.0	71.5
1957	44.1	61.8	87.7	70.3
1958	45.6	60.7	86.6	70.2

(a) Direct receipts of hogs are shown as a percentage of Total Canada Hog Gradings (sum of inspected slaughter plus hogs slaughtered in approved houses with government grading service).

Source: Department of Agriculture, Livestock Market Review.

(Exhibit H-168)

The trend revealed in the above table has been regarded with concern by agricultural producers. The situation in Alberta was described as follows in the evidence given by the Secretary of the Alberta Federation of Agriculture to the Royal Commission on Price Spreads of Food Products, 1958:

> ". . .
>
> The disturbing feature in the livestock marketing picture is the determined effort to by-pass public markets and to deal directly with individual producers.
>
> There appears to be a growing tendency on the part of processors, who are the buyers of livestock, to establish as many individual sources of supply as possible rather than to allow this stock to find its way to the central or terminal markets. In order to effect this every packer-buyer has set up buying stations on all the main roads leading to the public market in Edmonton, each of which must cost a considerable amount to maintain. Besides the buildings and equipment that must be maintained there is the expense of employing from one to, in some instances, four men including an experienced and comparatively high salaried buyer.
>
> Besides the above, all packers are paying commissions to truckers operating under a PSV license as an incentive to deliver stock direct to the packer rather than to terminal markets. These bonuses or commissions amount to from 25 to 50 cents per hundredweight on hogs, and no doubt more in some instances.
>
> . . ."[1]

The disturbing features in the decline in the proportion of livestock sales made at public stockyards, as viewed by representatives of producers, are first, that there is a decline in competitive buying and selling because of the reduced volume of trading at public markets, particularly when livestock marketing is slack. This reduction in competition, it is thought, tends to reduce

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1 Mr. Jas. McFall, evidence before the Royal Commission on Price Spreads of Food Products 1958, Proceedings, Vol. 5, pp. 665-66.

prices to the producer. Second, as public stockyards are maintained to serve during the peak marketing periods a lessening in the volume of livestock handled at a market increases the unit cost of the livestock which the market handles and this may serve to increase the incentive toward direct selling.

The possible danger that a decline in the proportion of public market trading will result in less competitive livestock trading generally is governed, of course, by the degree of competition which exists in other means of buying livestock and the extent to which the individual producer is informed of the returns which he may secure by selling in one or other of the various ways open to him.. Mr. W.F. McLean said in evidence:

> "A. . . .
>
> I have already said, or someone in this hearing has said that the consumer demand determines the price of meat, and that the price of livestock is determined by competition, by competitive buying among packers, each one using his own judgment of what he can afford to pay for livestock in order to sell the meat at a profit. And the factor which determines the price of livestock is the packers buying it in competition. And the fact that the price paid in the country is very close to the price paid on the public stockyards, and in fact is a better return for the producer, apparently, seems to me to indicate that the competition in both processes or both methods of buying is very much similar. And in our own experience, from direct subjective experience, the competitive buying in the country is equally as great as buying in the yards."
>
> (Hearing, p. 1551)

A table was submitted to the Commission by Canada Packers showing the average difference in the cost of dressed beef between cattle purchased on public stockyards by the Toronto plant and cattle purchased in the country or at the plant gate.

Table 69

Canada Packers Limited - Difference between Cost of Cattle Bought by Toronto Plant in the Country or at Plant Gate and at Public Stockyards, Fiscal Years Ending March, 1946-60

(cents per 100 lb. dressed weight)

Fiscal Years Ending March	Cattle Bought in the Country	Cattle Delivered to our Gate from the Country and Bought There
1946	- 9	- 12
1947	- 8	- 13
1948	+ 14	- 5
1949	+ 18	- 23
1950	+ 5	- 13
1951	- 19	- 26
1952	- 23	- 26
1953	- 24	- 51
1954	- 16	- 18
1955	- 31	- 21
1956	- 17	- 30
1957	- 25	- 21
1958	- 17	- 47
1959	- 4	- 21
1960	- 16	- 32
Average 1946-1960, inc.	- 12	- 23
Average stockyard charges (a) if sold through public stockyard, 1946-1960, inc.	+ 39	+ 38
Improved net return to producer by selling direct	+ 27	+ 15

(a) Stockyard charges - Commission, Yardage, Insurance.

Note: Negative figures indicate a cost lower than Public Market cattle costs and positive figures indicate a cost higher than Public Market cattle costs.

Source: Canada Packers Limited accounting records.

(Exhibit H-165)

On the basis of the figures in the above table and after allowing for the absence of stockyard charges the producer got somewhat better returns by selling direct to the packer. The packer also benefited by getting supplies at somewhat lesser cost, on the average, than the cost of animals purchased on the public market.

No recent studies of the returns secured by livestock producers from selling on public stockyards compared with other methods were found by the Director. A pre-war study contained the following conclusions:

> "Finally, it is apparent that during the period covered by this survey the prices paid for live stock purchased under the alternative methods for which comparisons were made, varied considerably both within and between markets. It cannot be said that packers consistently paid more for live stock purchased on one basis than on the other. It would appear, however, that if marketing costs are deducted from sales made through stockyards in an effort to determine the net returns to farmers, the result in the case of hogs favoured direct selling. In the case of cattle the advantages were less conclusive but on the side of direct selling. In the case of sheep and lambs the brevity of the period for which information was available and the extreme differences found to exist prevent any general conclusion being drawn."[1]

The above table and the conclusions just quoted relate to differences in returns as between different methods of selling using the level of prices at public stockyards as a basis for measurement. Such analyses do not throw any light on the question whether the reduction in the proportion of sales made at the public markets has an effect on the level of prices in such markets. Reference has been made to the opinion of some producer representatives that competition lessens with the growth of livestock sales away from public stockyards. On the other hand the evidence in the inquiry indicates that at times in some markets the low volume of sales at public stockyards in relation to the demand strengthens the price situation for the producer both at the public stockyard and at other

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1 W.F. Chown, S.C. Hudson and J.N. Lewis, The Direct Marketing of Livestock, Marketing Service, Economics Division, Department of Agriculture, 1941, p. 25.

points where the price for direct purchase is arrived at on the basis of the public market price.

The following factors appear to have been significant in the growth of direct buying of livestock:

1. The construction of a network of good roads and the development of the trucking industry which permit the economical transportation of livestock from farm to meat packing plant.

2. The growth of packing plants in localities distant from the larger public stockyards.

3. The establishment of quality differentials and grading on the rail in the case of hogs. As the grade is determined after slaughter and as a better yield is secured with the least delay between shipment and slaughter, producers are more inclined to sell direct to the packing plant.

4. The inflexibility of stockyard charges, particularly in times of falling prices.

5. The encouragement of direct shipments by packers.

The situation at Edmonton illustrates the fifth reason mentioned above. The establishment of buying stations on approaches to the city was referred to earlier. In regard to volume of sales on the public market Mr. W.F. McLean gave the following evidence:

"A. . . .

In Edmonton, in order to support installed killing capacity, it is quite impossible to buy any very substantial proportion of your cattle at the market. You have to go farther afield. They are bought in the country and they are bought in the country between Calgary and Edmonton, and north of Edmonton, and parts of Saskatchewan."

(Hearing, p. 1584)

The declining proportion of livestock purchases on public stockyards, as shown in Table 68, may have been accelerated by the number of uninspected packers becoming inspected packers

during the period. To the extent that such packers were located in localities not having public stockyards their purchases would tend to increase the proportion of direct buying (Hearing, p. 1552).

The national packers remain the largest buyers on the public stockyards. Canada Packers and subsidiaries buy about 40 per cent of all slaughter cattle offered on the public stockyards in Canada (Hearing, p. 1561). Only about 2 per cent are bought by uninspected slaughterers, the bulk of whose purchases are made direct (Hearing, p. 1581).

2. Changes in Marketing Methods

In the previous section the term direct buying has been used to embrace all methods of marketing other than sales on public stockyards. In the period covered by Table 68 there have been various developments in the marketing of livestock which have altered substantially a good deal of the direct purchases made by meat packers. These developments have been referred to earlier in connection with the various measures to improve the bargaining position of producers. In the Maritime Provinces about 50 per cent of the hogs are marketed by a co-operative organization. By 1955 La Coopérative Fédérée de Québec controlled about 35 per cent of the hogs marketed in that province. In Ontario all hogs are now sold under a marketing scheme. Co-operative marketing organizations operate on a substantial scale in Western Canada. In 1956, about 50 per cent of cattle and 31 per cent of hogs were marketed co-operatively in Saskatchewan. In Alberta, the proportions were 20 per cent for cattle and 30 per cent for hogs.

The auction method of selling livestock has been growing in recent years. According to information secured by the Director, by the end of 1958 all hogs and cattle were sold at open auction in Alberta and most cattle throughout the country were sold at open auction.

3. Level of Livestock Prices in the Maritime Provinces

It has already been mentioned that there are no public stockyards in the Maritime Provinces. There are only four inspected slaughtering plants in the three provinces, located as follows:

	Plant Location	Estimated Weekly Kill	
		Cattle	Hogs
Prince Edward Island			
Canada Packers Limited	Charlottetown	215	1,130
Nova Scotia			
Larsen's Wholesale Limited	Berwick	60	350
New Brunswick			
Swift Canadian Co. Limited	Moncton	260	1,965
Canada Packers Limited	Saint John	50	375

(Exhibit H-13)

There are two establishments in New Brunswick with government grading of hogs but which were not inspected plants. One of these plants was estimated to kill 90 hogs per week and the other 45 (Exhibit H-14). In addition, there are about 300 small slaughtering establishments with an average weekly kill of 4 hogs and 3 cattle.

The Statement of Evidence contained the following reference to livestock marketing in the Maritime Provinces:

> "Another illustration of the weakness of inter-market competition is contained in a reference by Drummond and Mackenzie[1] to the Maritime area. It will be recalled that this is a deficit area in the production of meat, and additional supplies must be brought in from other parts of the country. In these circumstances one might expect the prices paid for livestock in the Maritimes to be somewhat above the prices on the Toronto and Montreal markets. Drummond and Mackenzie however state that 'A final current obstacle to the expansion of beef raising consists in the fact that the prices

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1 W.M. Drummond and W. Mackenzie, Progress and Prospects of Canadian Agriculture, a study prepared for the Royal Commission on Canada's Economic Prospects, Queen's Printer, Ottawa, 1957, p. 144 ff.

obtainable for beef cattle in the Maritimes are considerably below those received for the same grade of animals in the Montreal and Toronto markets.'[1] Among the factors which they regard as responsible for this situation is the weak bargaining power in the hands of producers resulting from the number of local packing plants being inadequate to provide effective competition."

(Statement, pp. 91-92)

In dealing with the view presented by the Director, Canada Packers took the position that the livestock market in the Maritimes would be expected to be related to markets in Western Canada which are drawn on to make up the deficiencies both in the Montreal market and in the Maritimes. In relating livestock markets in the Maritimes to those in Western Canada Canada Packers indicated that the following factors should be taken into account:

1. The freight rates on fresh and frozen meats from principal western markets to Montreal and Maritime points.

2. The transportation costs from Maritime packing plants to principal areas of consumption.

3. The limited supply of beef cattle in the Maritimes compared with supplies at western markets.

4. The yield of beef from cattle slaughtered at Maritime plants compared with that secured at plants in other areas.

5. The cost of dressed beef at Maritime plants which is affected by the scale of operations at such plants.

The following figures on carload freight rates on fresh and frozen meats were furnished to the Commission by Canada Packers:

---

1 Ibid., p. 159.

	From Edmonton & Calgary		From Winnipeg	
	To Toronto & Montreal	To Halifax	To Toronto & Montreal	To Halifax
October, 1949	$2.45	$2.69	$1.58	$1.81
January, 1951	3.05	3.35	1.96	2.26
January, 1953	3.47	3.82	2.23	2.57
January, 1953	3.32	3.67	2.12	2.45
March, 1956	3.49	3.85	2.21	2.56
March, 1957	3.90	4.23	2.48	2.81
December, 1958	4.58	4.96	2.92	3.30
April, 1959 (inc. icing)	3.49	4.36	(2.22 Mtl. (2.00 Tor.	3.09

(Exhibit H-65)

It will be seen that from 1949 to 1958 the difference in freight cost between shipping meat to Montreal or Halifax from Western Canada ranged from about 23 cents per cwt. to about 38 cents per cwt. In 1959 freight rates were reduced and a larger reduction was made in the case of Toronto and Montreal so that the difference became 87 cents compared with Halifax.

The Charlottetown plant of Canada Packers sells 28 per cent of its output in Prince Edward Island and 72 per cent in other Atlantic Provinces, while the Saint John plant sells 54 per cent of its output in the Saint John metropolitan area and 46 per cent largely in other parts of New Brunswick. Trucking costs of the two plants were shown as follows:

From Charlottetown plant to -	local customers	20¢ per cwt. (higher to rest of P.E.I.)
	Sydney "	140¢ " "
	Halifax "	120¢ " "
	Moncton "	90¢ " "
From Saint John plant to -	local customers	19¢ per cwt.
	Fredericton customers	50¢ per cwt.
	Moncton customers	85¢ per cwt.

(Exhibit H-68B)

In the case of Halifax and other consuming centres distant from the Maritime plants the cost of transportation would have been generally greater than the difference in carload freight prior to 1959, and still in excess after the change in freight rates in 1959.

The limited supply of better grades of beef cattle purchased by Canada Packers for its Maritime plants compared with the supply in Ontario and the Prairie Provinces is shown in Table 70. It will be seen that in 1957 less than 1 per cent of the cattle slaughtered graded choice and only about 2 per cent graded good.

Table 70

Percentage Comparison of Beef Slaughtered in the Maritimes for 1957, by Grades, vs. Ontario and Prairie Provinces Beef Slaughterings

	Maritimes	Ontario	Manitoba	Saskatchewan	Alberta
Choice Steers & Heifers Red Brand (A)	.6%	26.0%	12.0%	12.7%	27.9%
Good Steers & Heifers Blue Brand (B)	2.2	22.7	17.2	14.3	16.5
Commercial Steers & Heifers (C)	33.5	22.5	20.2	30.1	15.0
Plain Steers & Heifers (D1)	13.2	4.5	7.2	7.7	4.7
Fair to Good Cows (D2)	5.1	7.7	14.7	13.6	16.2
Plain Cows (D3)	11.2	5.9	9.4	8.0	7.5
Manufacturing (M)	34.2	10.7	19.3	13.6	12.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%

The lower grades of beef, that is - D1, D3 and M - in total for the above provinces show the following percentages:

	Maritimes	Ontario	Manitoba	Saskatchewan	Alberta
	58.6%	21.1%	35.9%	29.3%	24.4%

Source: Department of Agriculture, Livestock Market Review.

(Exhibit H-66)

Within each grade of cattle there may be considerable difference in the "dressing yield", that is, the relationship of carcass weight to live animal weight. The lower the relationship the more there is of the animal which the packer must dispose of as tankage or some other non-carcass item. Table 71 presents a comparison of the average dressing yield of cattle slaughtered at Canada Packers' Maritime plants with the yields at Toronto, Winnipeg and Calgary. It will be seen that the yields at Charlottetown and Saint John are below those of the other plants shown.

Table 71

Comparison of Average Dressing Yields at Certain Canada Packers Limited Packinghouse Plants, by Grades

	Charlottetown	Saint John	Toronto	Winnipeg	Calgary
Medium and Fair Steers	51%	49-1/2%	53%	53%	56%
Medium and Fair Heifers	49	48	51	51	54
Plain to Good Cows	45	44	47	48	51
Bulls	46-1/2	48	53	54	55

Source: Canada Packers Limited accounting records.

(Exhibit H-67)

Detailed information on the relative costs of operation of Canada Packers' Maritime and western plants was not furnished the Commission, but Dr. Clark stated that at the time of the hearing operating costs at Winnipeg were about 45 cents per cwt. lower than at Charlottetown (Hearing, p. 347).

The various factors mentioned above were stated to be reflected in the cost of dressed beef at Canada Packers' Maritime plants as compared with the cost of dressed beef shipped from the Winnipeg plant to Maritime points. Such a comparison is given in Table 72.

Table 72

Comparison of Dressed Beef Costs of Cattle Slaughtered in the Charlottetown and Saint John Plants with Winnipeg Dressed Beef Costs Delivered to Maritime Points [(a)]

	Fiscal Week Ending Oct. 21/58 f.o.b. Charlottetown [(b)]		f.o.b. Saint John [(b)]		Calendar Week Ending Oct. 18/58 Winnipeg basic del'd. to Maritime Points	
	No. Head		No. Head		No. Head	
Good Steers	2	43.45			201	44.98
Medium Steers	17	41.45	(1	40.95	80	40.76
Fair Steers	34	40.45	(		30	37.54
Plain Steers	32	38.45			14	36.55
Boner Steers	8	32.45			-	- (c)
Good Heifers	6	42.45	1	41.95	121	43.76
Medium Heifers	8	40.45	(17	39.72	225	38.75
Fair Heifers	14	39.95	(		52	36.88
Plain Heifers	9	37.45	10	36.80	42	35.96
Boner Heifers	8	32.45			22	33.20
Medium Cows	8	35.45	(6	34.95	214	33.75
Fair Cows	18	34.45	(		143	33.68
Plain Cows	16	33.45	8	32.95	158	33.57
Boner Cows	51	32.45	43	31.95	316	33.64
	231		86		1,618	

(a) Delivered to Saint John, Sydney, and Halifax.

(b) Charlottetown and Saint John costs are f.o.b. the plant.

(c) Included with Boner Heifers.

(Exhibit H-68)

Table 72 shows how much more beef is shipped to Maritime points by Canada Packers from outside the area than is supplied by the plants at Charlottetown and Saint John. For a number of classes of beef the cost at the Maritime plants during the week reported was higher than the delivered cost of western beef. Transportation charges to such points as Moncton, Halifax or Sydney would be additional costs in the case of beef shipped from the Maritime plants but not in the case of beef delivered by rail from the west except to the extent of local delivery. The evidence presented to the Commission supports the submission of Canada Packers that cattle are purchased in the Maritime Provinces by the Company at the equivalent of the cost of beef delivered to Maritime points from Western Canada.

CHAPTER XVI

ACTIONS TAKEN BY CANADA PACKERS TO INFLUENCE MARKET BEHAVIOUR

The leading position which Canada Packers occupies in the meat packing industry is a matter which clearly is taken into account by the Company in shaping its buying and selling policies. In the view of the Director the share of the market held by Canada Packers and the resources which it possesses give the Company "considerable control over prices, at least in the short run." That Canada Packers had any control over prices at all was strenuously denied on behalf of the Company. The situation as seen by the Company's President, Mr. W.F. McLean, was as follows:

> "A. We have no degree of control at all. We have never disavowed influence on prices, because clearly anyone who buys or sells on a market has influence on the prices. That is what a market is made of."
>
> (Hearing, p. 1892)

In a market situation where there are many buyers and sellers of equal strength no one person could have a significant influence on the market. It is only when on either the demand or supply side the operations of one firm are on a sufficient scale to alter the market relationships that the decisions of one participant can be said to have an influence on the market. The evidence in the inquiry makes clear that Canada Packers considers that its influence on the market is of such a character because of the volume of business which it transacts, both as a buyer and as a seller. Transactions completed at the various meat packing plants of Canada Packers exceed 100,000 per week, when both buying and selling activities are considered. This large number gives added significance to the figures as to volume of business presented in the statistical tables.

Table 73

Summary of Selling and Buying Transactions, Meat Packing Plants and Sub-Units, Average Week - Test Basis, Fiscal Year Ending March 30, 1960

Plant	Average Number of Invoices Processed Weekly	Average Number of Invoices with: Non-Meat Items	Meat Items	Number of Livestock Transactions
Toronto	36,610	5,782	30,828	5,823
Montreal	14,053	2,937	11,116	1,437
Peterborough	2,642	264	2,378	548
Hull	5,876	1,069	4,807	446
Winnipeg	10,551	1,137	9,414	3,350
Moose Jaw	1,412	226	1,186	375
Edmonton	7,887	678	7,209	1,266
Vancouver	3,717	295	3,422	448
Charlottetown	1,695	229	1,466	459
Saint John	1,696	169	1,527	62
Calgary	1,702	13	1,689	881
Wilsil	7,460	225	7,235	437
Total	95,301	13,024	82,277	15,532

Source: Canada Packers Limited accounting records.

(Exhibit H-169)

1. Acceptance of Position of Market Leader

That Canada Packers as the largest factor in the Canadian meat packing industry should exert leadership with respect to buying prices of livestock or selling prices of meat products when the relationship between buying and selling prices is regarded as unsatisfactory by the Company appears to have been accepted by senior officials of the Company as an unquestioned aspect of market relationship. A few examples from the documentary evidence will illustrate this attitude.

January 22, 1954 - Mr. N.J. McLean to Mr. S.F. McDougall:

> "Cannot understand your hog prices advancing even with severe weather. We would have thought that entire lack of interest from Eastern Canada, either in hogs or cuts, would have weakened your situation much more than weather would have added strength. Instead of your market advancing, feel strongly it should have declined, particularly as we confidently expect break Montreal price Monday to 34½¢ or 34¢. You must take immediate action to get some common sense into your situation. Believe firmly all other Packers must be waiting for a lead from someone to get hogs onto a sound basis."

(EKB 1402)

March 7, 1955 - Mr. N.J. McLean to all Plant Managers:

> "We have the definite feeling that all killers, - large and small - have found the going so tough that of one accord they have decided it is time to cry a halt and get immediately rid of the cruel losses of the past four weeks.
>
> This applies equally to -
>
> BEEF AND PROVISIONS.
>
> Of course, someone has to take the lead. That someone should be
>
> CANADA PACKERS
>
> . . ."

(EKB 1099)

April 12, 1956 - Mr. W.F. McLean to all Canadian Plant Managers:

". . .

> We must take corrective action on provisions selling prices. We can only lose by delaying it. Hogs cannot be cheaper than they are now, so that selling prices are the only possible correction, and although it may cause some very temporary strain, I am certain that the industry will follow our lead. As by far the biggest factor in the industry, we are the ones who must initiate corrective action.

. . ."

(EKB 2119-2120)

June 25, 1956 - Mr. N.J. McLean to Toronto, Montreal, Peterborough, Hull, Winnipeg, Edmonton, Calgary and Vancouver plants:

". . . Beef losses past three weeks so cruel we feel convinced every operator large and small determined take firm stand today to correct situation on both buying and selling. Therefore feel Toronto market will be no higher, even with this morning's light run of killing cattle. Indeed, hope it may be easier, particularly on Babies and Cows. At same time feel all Packers will fight to firm up selling prices in line with today's costs, particularly with present cool weather. This is week for us to give real leadership everywhere on Beef prices, and take firm stand to get back full cost. . . ."

(EKB 1092)

August 11, 1956 - Mr. G.H. Dickson, General Provision Manager, to all Canadian Provision Managers:

". . .

We have said many times that Canada Packers must give the industry leadership in correcting any operating difficulty. It cannot be otherwise. There are times that there is a very definite cost involved in giving this leadership. However, we do not think this is one of them.

We are going to be able to sell all the product we can get our hands on between now and the end of September and for us to establish a basis that will lose money is ridiculous.

. . ."

(EKB 2333-2334)

May 1, 1957 - Mr. F.L. Blair, General Sales Manager, to all the Company's Sales Managers:

". . .

I am afraid that in correcting our position we accepted the belief that our volume should suffer. In isolated cases that could be so, but it should not be general across the board. The fault is in our own thinking.

It looks as though we did not get across to our salesmen that we had to correct our selling prices and at the same time maintain our volume.

You can't put a flat price out and maintain it regardless of volume consequences. All you would be doing is raising an umbrella under which any competitor could operate profitably and still cut the feet from under you.

When you set a firm price, and I am surely in favour of that, you know that you have got to police it every hour of the day in order to give leadership to your own men and to the industry, and prevent either one of them from defeating your purpose in setting a firm price.

. . ."

(EKB 1990-1991)

When the communications quoted above and others of a similar nature were referred by counsel for the Company to Dr. Clark, he made the following comment:

"A. . . . most of the letters were written at a time-- most, indeed if not all--when we ourselves had been in a loss position, and obviously if you are in a loss position you assume that somebody else is in a loss position, too.

Q. That is, some of your competitors?

A. Yes. And if you are going to take action, or if you think that you can take action which will improve the situation, you think that the other people will be equally anxious to take similar action. That is all."

(Hearing, pp. 1689-90)

To illustrate the fact that the profitability of various divisions of the Company's business varies from one period to another, charts of the weekly profit or loss position, on a departmental basis, were filed with the Commission showing the trend of earnings for the beef and provision departments for the years 1949 to 1957. These show substantial variations in the returns attributed to the particular departments week by week and in some years there are a number of weeks in which losses are shown. As interest is charged against individual departments which may not be an actual cost to the Company and as earnings are attributed to sales departments, the actual profit position for the Company as a whole may not be the same as the sum of the individual department figures. Nevertheless it is apparent that over a period of some time the Company may have unsatisfactory returns with respect to a particular department.

2. Price and Operational Changes to Influence Market

The assumption of leadership by Canada Packers to influence market changes which has been illustrated in the preceding section must find expression in price changes by the Company and in changes in volume of selling or slaughtering. The fact that a change in selling price might necessitate a change in scale of operations is indicated in a letter of March 15, 1957 from Mr. N.J. McLean to all Plant Managers:

"I am sure you all felt a sense of real relief yesterday afternoon when you received the President's two wires advising that we had finally decided to take a firm stand on both -

BEEF and PROVISIONS.

Briefly stated, this stand is -

RAISE SELLING PRICES IMMEDIATELY TO
THE BASIS OF AT LEAST AN EVEN BREAK

> ON TODAY'S COSTS, AND IF YOU ARE NOT ABLE TO MOVE ALL YOUR PRODUCT AT THESE PRICES, LOWER YOUR KILLS TO THE NUMBERS THAT YOU ARE ABLE TO SELL AT A PROFIT.

In Ontario, we feel confident this lead of ours will be followed immediately by all competitors.

. . ."

(EKB 2136-2137)

Mr. W.F. McLean told the Commission that a meat packer is reluctant to reduce his percentage of the total slaughter because a reduction in kill will have adverse effects on unit costs. He went on to say that Canada Packers is not prepared to operate for extended periods in a loss position and does everything it can to avoid losses but on occasion the forces of the market will not permit profitable operations. While the situation has to be pretty bad before the Company reduces its kill, such action may be taken several times a year and at individual plants slaughter may be reduced by as much as 30 per cent (Hearing, p. 1891).

In Alberta, the price of hogs purchased directly by the packers has been based directly on the prices at the public stockyards. However, the volume of hogs sold on such yards forms only a part of total marketings and the stockyard price may be affected by the smallness of the offerings. An attempt by Canada Packers to influence this situation is indicated in the following inter-office communications:

January 13, 1953 -Mr. S.F. McDougall, then Edmonton Plant Manager, to Mr. N.J. McLean:

"WE ARE BUYING OUR TRUCK HOGS AT 20.75 BASIS A GRADE BUT THIS IS ONLY A SMALL PERCENTAGE OF OUR TOTAL RECEIPTS. OUR COUNTRY CONNECTIONS ARE BASED ON CALGARY AND EDMONTON MARKETS. DUE TO EXTREMELY COLD WEATHER 25 BELOW TODAY - RECEIPTS ARE LIGHT AND BOTH EDMONTON AND CALGARY MARKETS HOGS SOLD AT 23.75 UESTERDAY [sic] WE ARE WORKING WITH COMPETITORS TO DIVERT SOME OF OUR REGULAR CONNECTIONS TO THE STOCK YARDS TO TRY AND GET BOTH CALGARY AND EDMONTON MARKETS TO FLOOR. . . ."

(EKB 1376)

<u>January 14, 1953</u> - Mr. S.F. McDougall to Mr. N.J. McLean:

". . .

. . . AS PRACTICALLY ALL COUNTRY HOGS KILLED IN ALBERTA SELL BASIS CALGARY OR EDMONTON YARD MARKETS WE HAVE DIVERTED APPROXIMATELY 500 EXPENSIVE HOGS TO STOCK YARDS WHICH IN TURN HAVE SOLD TO SMALL PACKERS. THIS LOWERS TEMPORARILY OUR KILLING PERCENTAGE BUT SHOULD HELP TAKE FIRE OUR [OUT] OF MARKET. DO YOU AGREE WITH OUR ACTION."

(EKB 1377)

The Montreal stockyard occupies a somewhat similar position in Eastern Canada to the Calgary and Edmonton yards in Western Canada. On February 15, 1954 Mr. F.O. Thompson, General Provision Manager, Montreal wrote to Mr. G.H.Dickson, the Company's Assistant General Provision Manager, in regard to the high price of hogs on the Montreal market and the unsatisfactory returns being received from the sale of pork, which is classed as provisions. His letter went on:

". . .

They claim that operators generally are complaining of losses on Provisions and have indicated that they were not willing to pay the same price this week as last.

Some hogs were carried over in coolers and our own people have promised to small operators, a total of .. .. 600 hogs to be delivered during the coming week.

Up to the time of writing, 2:00 p.m., no bids have been placed on the market, although Commission men are asking .. .. .. 36½¢.

Truck receipts are late coming in today as roads are not too good but we feel that if buyers can hang off until 4:00, the chances are very good to lower the price.

Certainly, one of two things has to happen - either we get our costs lower, or get prices up."

(Exhibit H-173)

Mr. George Mills, Canada Packers' Head Cattle Buyer, Toronto, gave the following evidence in regard to "laying off" the market, that is, not making purchases:

"Q. When you lay off the market, what do you mean?

A. Well, you might lay off the market until around noon or a little after lunch.

Q. You would buy nothing until noon or a little after lunch time?

A. We will always buy something.

Q. But you are doing a little buying in the morning?

A. Oh yes.

Q. Even when you are laying off?

A. Yes; but the market may not go the way you want it, and then you have to step in and buy your requirements."

(Hearing, pp. 1612-13)

It was stated in the Company's Statement of Position that Canada Packers never interrupts its stream of livestock purchases for as long as a day. Dr. G.F. Clark said in evidence that the statement should be qualified to the extent that on rare occasions Canada Packers might not have bought hogs on the Montreal and Calgary markets (Hearing, p. 1693).

In addition to attempting to influence the level of prices of livestock Canada Packers might seek to influence actions of competitors by affecting their returns from the sale of meat. This is indicated in a letter of March 25, 1955 to Mr. N.J. McLean from Mr. G.H. Dickson, Assistant General Provision Manager, in regard to the situation in Montreal:

". . .

You might wish to follow up on the progress that has been made in controlling some of the small operators who have constantly established unsound hog markets. For some reason or other, there seems to have been an improvement in the situation in the last month and perhaps this reflects progress already made. Control of these people will become more important as we get into the lighter summer hog deliveries.

In the final analysis, we are all pretty well agreed that the way to control these people is by doing an effective selling job. We realize this is not easy, nor will it be done overnight. However, the last time I was in Montreal they were determined to establish where these people were selling their product, and to take such action that guaranteed they were not getting profitable prices.

. . ."

(EKB 1559-1561)

Mr. W.F. McLean made the following comments in his evidence with respect to this letter:

"A. . . .

Now, he is saying that, in his view, these hog markets have been too high, to suit the supply and demand situation. And as you read through the letter you will find that he is saying that the way to control this is to find out where these people are selling their product.

If they are paying this for hogs, if they are continuously paying this for hogs, at what we considered too high a price, then presumably they have a selling market somewhere which is allowing them to make a profit at that price, or they would not continue to do so. Once in a while, yes, perhaps, but they would not continue to do it all the time.

What Mr. Dickson is saying is to find out where they are selling.

These small killers in Montreal specialize in the fresh pork trade, and they may have customers in the restaurant supply business. They clearly had customers that we were not covering anyway. Mr. Dickson says to go out and find out where they are selling it, and sell those same customers of theirs at our average price of fresh pork, and they will not be able to pay this much for hogs.

What he is saying is that they are paying a price for hogs which does not reflect the national supply and demand situation, and that they are selling to some group of customers that we can sell to cheaper, and that we

would be satisfied to sell cheaper and we would be still selling at our average price.

BY THE CHAIRMAN:

Q. The last part of the letter is strong language, if that is all he had in mind --- 'and to take such action that guaranteed they were not getting profitable prices.'

A. I think it would automatically guarantee that they were not getting profitable prices. You know what they are paying for hogs because prices are published in the market. We know what we are selling pork for. If we sell these customers at our average selling price of pork, we know very well that they would not get profitable prices; and 'such action' means selling these customers."

(Hearing, pp. 1870-71)

The fact that Canada Packers has plants throughout Canada enables the Company to co-ordinate its operations so as to exert its influence in a desired way in any particular market. This aspect of the Company's position is illustrated in the following documents:

June 12, 1956 - Mr. N.J. McLean to Mr. W.R. Parliament, Winnipeg Plant Manager:

". . .

With the break in the market yesterday and today, the chances are that Ontario deliveries will be light next Monday. To meet this we are anxious to have .. 300 or 400 Western Cattle in here Monday morning so that we can lay off the Toronto market, if commission firms are trying to get higher prices.

. . ."

(EKB 1674-1675)

November 7, 1956 - Memorandum entitled "Edmonton Plant Review":

". . .

On October 14th a meeting of our Winnipeg, Vancouver, Calgary and Edmonton people was held to review our position.

The main decisions were:-

1. Edmonton, Calgary and Vancouver would work closely to keep any 'heat' out of the market and would inform interested parties of the obvious effect of continuing to let Alberta markets remain high.

2. Edmonton would endeavour to strengthen local selling prices although this might involve a substantial volume reduction.

3. The moment any increase in hog deliveries appeared, Edmonton plant would lower their paying prices at plant gates.

. . ."

(EKB 467A-479D)

3. Diverting Supplies to Influence Actions of Competitors

On occasion Canada Packers alters the supply situation in a particular market in an effort to influence the actions of competitors, usually with respect to their purchase prices for livestock.

Early in 1949 the Edmonton Plant of Canada Packers reported that losses were occurring on beef operations because surplus beef was being shipped to eastern markets at prices which did not cover costs. An attempt was made to change the situation by increasing the amount of beef sold locally, as described in a letter of May 18, 1949 from Mr. S.F. McDougall, then Edmonton Plant Manager, to Mr. N.J. McLean:

". . .

Last week Toronto advised us that Beef prices were poor in the East and they could not handle any offerings from us unless at sharply reduced prices. This meant an extremely heavy loss so we decided not to sell our surplus Beef East this week but to drop our local selling prices sharply and try to sell the Beef locally. By doing this we felt we would shock the local Plants into looking at the Beef situation a little differently and be willing to use a little common sense in both buying and selling.

The price basis we reduced to was not Eastern bids but the prices we secured from Eastern shipments the previous week. We removed the umbrella that we have been holding over the heads of competitors.

The effect of this action has been that competitors were thrown out of gear. They all admit readily that Beef operating has been a loss and that we should at least be able to hold our money together. They are now as concerned about this as we were before.

The fire seems to have been taken out of their buying today and the Edmonton market was down 75¢ alive.

Local selling prices are back up again and it remains to be seen if we have accomplished our purpose. The objective is to put our market in line with the Eastern markets if possible so that we can lower local selling prices and secure at least short costs on shipments East.

. . ."

(EKB 1462A-1466)

Somewhat the same situation appears to have existed some years later when Mr. J. Easton, then Beef Manager at Edmonton, wrote to Mr. A.G. Hall:

". . .

We cannot see buying cattle freely unless we can put these up in line with the outside markets and have reduced our buying ideas to this basis. Our job is to operate for local sales and be aggressive selling locally

so that competitors do not get rid of their surplus in Alberta but are forced to accept some of these low Eastern prices, and ship their surplus East.

. . ."

(EKB 1442-1443)

In a comment on the situation referred to in these documents, Mr. McLean said that the Edmonton Manager would consider that Canada Packers was shipping a larger proportion of its production to eastern markets than were its competitors, who thus got the advantage of higher returns from local sales on a larger part of their total sales (Hearing, p. 1842).

The diversion of supplies by Canada Packers from one market to another is sometimes referred to in the Company's inter-office correspondence as "dumping". It was stated by officers of Canada Packers that the use of the term was not intended to have the meaning of "dumping" in international trade, that is selling in one market at a lower price than in another. Mr. W.F. McLean was questioned on the following portion of a document entitled "Edmonton Plant Review" dated October 10, 1956:

". . .

In the past we have been occasionally able to take the heat out of Vancouver buyers by dumping product in Vancouver. Leighton and O'Hearn will be in Edmonton this week end and we plan on talking this over thoroughly to see what can be done.

. . ."

(EKB 480A-490)

His evidence was as follows:

"Q. . . . Would you explain the language that is used there, and particularly the expression, 'take the heat out of Vancouver buyers' and the word 'dumping'?

A. This is referring, apparently, to almost exactly the same situation as we have just been discussing, 'taking the heat out of Vancouver buyers' -- that means that the 'heat' is the heat that Vancouver buyers are putting

in the Alberta livestock market. And taking the heat out means hoping that the action taken will result in their lowering their bidding price for livestock.

And 'dumping' in this context -- well, I must say that I consider it is an inexact use of the term. But it refers to what we have just been talking about, selling product in Vancouver that was losing money, but losing less money than the only alternative market you had to sell it in.

Q. That is, eastern Canada?

A. Yes."

(Hearing, p. 1831)

Mr. W.W. Lasby said that the term "dumping" as used in the Company had the following meaning:

"A. It is being very active on the selling of pork, and is always selling it at the best possible return that we know how to get. In other words, we are not deliberately selling it at a price below what we feel in our judgment we should get.

Now, here, I realize fully that in times of upset markets, when consumer resistance to pork prices is such that the product is backing up in your plant, and you are very active sellers of pork, that that can influence your markets or probably would influence your markets. Some of those sales would be sold at lower prices, as you went along."

(Hearing, p. 1975)

It is evident that in directing the movement of additional supplies to a particular market or to a particular class of trade Canada Packers was seeking to do more than secure the best possible return among the alternatives available, and was attempting, as the evidence quoted above indicates, to influence market behaviour. It will also be apparent from the instances which will be mentioned that the diversion of supplies in larger volume was regarded as likely to be of advantage not only in the immediate market but in creating more favourable opportunities in another market.

Alberta produces a surplus of livestock from which supplies are obtained both for deficiency areas in Eastern Canada and also for British Columbia. The latter, of course, is the smaller consuming area of the two. Local meat packers at Vancouver would be interested only in the relationship of their livestock costs to their selling prices in the local market, whereas Canada Packers with plants in all markets is interested in the relationship between buying and selling prices on a national basis. This situation is illustrated in a letter of December 7, 1950 to Mr. S.F. McDougall, then Edmonton Plant Manager, from Mr. N.J. McLean, in which particular reference is made to activities of Pacific Meat Company Limited of Vancouver, which is described as Diamond:

> "Surely, there must be some simple way of getting a bit of common sense into the Alberta Hog picture.
>
> If you still feel Vancouver (particularly Diamond) is largely responsible for your high market, isn't the natural thing to make the Provision situation bad in Vancouver?
>
> If Diamond finds that he cannot go along week after week raising Alberta costs, and get out on his Hogs in Vancouver, then surely he will tone down a bit.
>
> But, if he makes money on these Hogs, he will continue to buy them at steadily advancing prices.
>
> . . ."

(EKB 1406)

Action was taken by Canada Packers' Edmonton Plant to increase shipments to Vancouver as described in a letter of December 8, 1950 from Mr. McDougall to Mr. N.J. McLean:

> "We are selling Vancouver considerably more product. Shipments to Vancouver have been : -

W.E. Nov. 25/50	-	equivalent	1,002 hogs
W.E. Dec. 2/50	-	"	638 hogs
W.E. Dec. 9/50	-	"	1,400 hogs

> Lorne Leighton [Provision Manager, Edmonton] returned from Vancouver Tuesday evening with a pocket full of orders.

With our crazy high market in Alberta, we took a heavy loss on our sales to Vancouver this week - right on .. $2,250.00 from our long costs and from our short costs ... 1,250.00.

As this was all surplus product over our local requirements, we would have taken a much heavier loss had we sold it to Eastern Canada - calculated loss ... $3,500.00.

Our Vancouver sales this week should slow up Diamond. Upon arrival in Vancouver, practically all this product has been or will be immediately re-sold to the trade.

. . .

P.S.

In the past 2 weeks we have also shipped Vancouver 30,000 lbs. of Lard and 21,000 lbs. of Pork Sundries."

(Exhibit H-178)

A year later the situation in the Vancouver market was apparently of a similar nature, as Mr. N.J. McLean wrote to Mr. McDougall on November 12, 1951 as follows:

". . .

Surely, all Alberta Packers must be anxious, now that your heavy deliveries are commencing, to get Hog prices down to a normal level compared with Winnipeg and the East.

. . .

If Diamond and small Coast Packers continue to be a thorn in the flesh, the quickest way to sicken them on high-priced Alberta Hogs is to see that they do no good on them.

Remember, I do not like suggesting anything to upset Vancouver's small Provision profits of the past six weeks, but if Diamond continues to put up Alberta Hog prices, the best way to correct the position is to see that he loses money on them.

. . ."

(EKB 1405)

Mr. W.F. McLean gave the following explanation of the lines of action indicated:

" BY MR. DAVIDSON:

. . .

A. Well, this is again exactly the same situation. You will notice that Mr. McLean is in the peculiar position that he is afraid of -- well, not 'afraid' -- but he does not appear to be too happy. We have a killing operation in Vancouver too, which is small.

Q. At this time he was making some money?

A. That is quite right. However, as our records show, the Edmonton plant was losing heavily on shipments east. And this clearly shows that the Vancouver market was higher than the equivalent of the eastern market. And Mr. McLean is of two minds, whether he wishes to spoil the profit in Vancouver or recover the position in Alberta.

Clearly you cannot carry this on. A two-price system is untenable. And clearly, the thing to do is to ship product to Vancouver at prices which are probably higher, [lower] but certainly lower [higher] than the price you sell that same product at in the eastern market, in which case it will have the effect -- it inevitably will have the effect described here, that Diamond or anybody else from Vancouver will not be able to pay as much for Alberta hogs. This is the result, not the motive. The motive is to get out of a loss position."

(Hearing, pp. 1887-88)

Mr. W.F. McLean had said earlier that the prices of meat might advance out of relationship with prices in eastern markets if the demand had been underestimated by suppliers. Under such circumstances the diversion of larger supplies to the Vancouver market would result in the price coming down until a balance was restored with other markets. While he stated that competition in the ordinary course of business would be expected to produce this result, it is evident from the Company documents that Canada Packers regarded its own action as a means of influencing the buying policies of particular competitors.

An illustration of failure of action by Canada Packers to have an immediate effect on market prices is given in a letter of March 24, 1954, from Mr. S.F. McDougall, Edmonton Plant Manager, to Mr. N.J. McLean:

> "We have been working hard, but so far without success to lower our hog market. With the Toronto market now down to $33.50, our Alberta market should be at least $30.50.
>
> . . .
>
> As a step in the right direction, we tried to lower our plant truck price yesterday $1.00, that is from $32.75 to $31.75, but Swifts finally decided not to drop their plant truck price as they felt the spread between the Stock Yard price and the Plant Trucks should not be over $1.00. They fear that if the price is greater, they will lose some hogs to the market. We hold a different view for someone has to take the initiative and we were hopeful that if we could drop the price at our plants, the Yard market would also weaken.
>
> . . ."

(EKB 1322-1323)

The Montreal market is another deficiency area in which there are small packers engaged in serving the local market and thus active competitors for supplies of livestock, particularly hogs. In this case the demands of buyers become evident on the local market rather than in a distant market as in the case of Vancouver. On January 22, 1953 Mr. N.J. McLean sent the following message to Mr. P.C. Kelly at the Company's Montreal plant:

> "YOU KEEP INSISTING THAT THE ONLY THING THAT WILL BREAK THE MONTREAL MARKET IS THE ACTUAL ARRIVAL OF MORE HOGS. THEREFORE THINK YOU SHOULD SERIOUSLY CONSIDER BUYING THE TWO CARS OF DRESSED HOGS FROM BRANDON AND MOOSE JAW SHIPMENT TODAY,

EVEN THOUGH THEY MAY NOT LOOK PARTICULARLY CHEAP WHEN THEY ARRIVE. URGENT YOU DO EVERYTHING POSSIBLE TO GET YOUR MARKET DOWN MONDAY TO 23¢, AND A SMALL LOSS ON TWO CARS OF DRESSED HOGS IS NOT MUCH TO PAY FOR THIS. DONT FEEL YOU CAN COUNT ON ANY LARGE NUMBER LIVE HOGS BEING SHIPPED FROM ONTARIO TOMORROW AND SATURDAY. WIRE FULLY."

(EKB 1125)

The reply which Mr. Kelly sent to Mr. McLean on the same day contained the following:

". . . THERE IS NO DOUBT IN OUR MIND THAT THIS MARKET IS BROKEN AND THAT AT THE EXTREME HOGS WILL SELL AT 26.00 ON MONDAY - VIEW THESE CIRCUMSTANCES WE FEEL IT UNNECESSARY THAT OTHER PLANTS SHIP US DRESSED HOGS - HOGS OFFERED AT 30.75 DRESSED ARE DEAR IN COMPARISON WITH WHAT THEY NOW CAN BUY AT FROM ONTARIO - HAVE HOPES BREAK MARKET TO 26 THIS MORNING WILL TELETYPE YOU IMMEDIATELY AFTER MARKET OPENS."

(EKB 1780)

The situation was of somewhat the same nature when Mr. Kelly wrote to Mr. N.J. McLean on June 10, 1953:

". . .

We are bringing hogs in from both Winnipeg and Edmonton which will lose us considerable money if we succeed in dropping this market but we feel that we must have insurance to be sure that, even if we do not get down to 34¢, that we will make a substantial reduction. So we are now in a position to have sufficient supplies to make us feel very optimistic about keeping the small fellows quiet, although we are going to be supplying them with hogs, which we do not like doing but feel very strongly that at the present time, it is the wise thing to do.

. . .

No doubt as soon as our market shows some weakness, Toronto will quickly follow.

. . ."

(EKB 1770-1771)

Mr. W.F. McLean said in evidence that while at the time the purchase of added supplies was made the current selling price in the market for which they were bought might provide a margin, by the time the product was actually sold the level of prices might have declined. His evidence included the following:

" BY MR. WHITELEY:

. . .

A. . . . the message indicates that supplies of pork on the Montreal market were not in line with the national supply and demand, and that the only way that it is possible to correct this situation is to move product from the lower market to the higher market. Montreal was the higher market at that moment.

But you may well drive it down by this very movement, and lose money on the product that comes in.

Q. In other words, if you are successful you will have a loss?

A. I think that is one way of putting it, yes. You cannot have both; you cannot have a profit and a lower market, that's for sure. This product has got to move. It won't move by itself. Either Canada Packers brings it down or somebody else does; and there is no assurance of a loss or no assurance of being successful. I don't know, in fact, what happened to the Montreal market on the Monday that he is referring to . . . ."

(Hearing, pp. 2007-08)

Another method used by Canada Packers to influence buying policies of small competitors in the Montreal market was of supplying them with dressed hogs or pork cuts for re-sale. This policy is referred to in a letter of June 10, 1953 from Mr. P.C. Kelly, Montreal Plant Manager, to Mr. N.J. McLean:

"There is no doubt in my mind, Norman, that one of the chief reasons that our hog market advanced this week is because we refused to sell the small people a few hogs.

. . .

A couple of weeks ago, we did manage to hold this market in check and actually reduced it .. 01¢ a pound but

it was done simply because we supplied some of the fresh pork operators with hogs.

Normally, I am very much opposed to this, as I indicated in my letter to Mr. Schell recently, but where, as an expedient it is beneficial to Canada Packers to sell these operators, I think we should do it.

Hugh very strongly opposed this policy so last week I gave Lorne Foreman instructions that we were not to sell any hogs and on Monday morning, our market jumped .. 02½¢ a pound.

Hugh has been talking this over with Fred Thompson since and now agrees that, for a temporary period, we should sell hogs to people who are buying them for re-sale over the retail counter.

. . .

Our hog costs are fantastic and I have been doing some work with our competitors yesterday and today, and I feel very confident that we will substantially reduce our market.

I have talked a price of .. .. 34¢ but, even if we do not get down to this level, we will take the steam out of this market next Monday.

. . .

We now have a total of 8 cars of dressed hogs coming from the West and, while we will take a loss on these hogs, we think it is the right thing to do.

. . ."

(EKB 1772-1773R)

The continuation of this policy was recommended by Mr. N.J. McLean in a letter of October 19, 1953 to Mr. Kelly:

". . .

In addition to building up a steadily increasing Fresh Pork trade with your regular customers, you should be offering Western Dressed Hogs or Pork Cuts aggressively to small operators, so as to take the heat out of your market.

The important thing is to make sure you do not merely talk about this, but actually keep offering every day larger quantities to the small killers who have been responsible for raising your market the past three weeks.

We were never keener to increase our killing percentage and regain all the ground we have lost the past six months. But, after buying our full share of Hogs each week, we must be sure to sell the largest possible percentage fresh, not only to the regular trade, but particularly to the small killers who have been putting all the heat in your market.

Above everything else, we must guard against putting a lot of product into cellar from Hogs costing .. $36\frac{1}{2}$¢ and selling it in two or three weeks time on a .. 30¢ market."

(EKB 1122)

The reverse situation, in which Canada Packers considered the purchase of supplies from a competitor in order to firm up a price, is indicated in a letter of July 25, 1957 from Mr. C.J. Smith of the Company's Sales Department to other Company officials:

". . .

Frozen Lamb - Week 16:

Halifax was the main letdown on sales. This was partially due to keener competition from Swifts who were endeavouring to clean up the balance of their holdings. We have suggested to Halifax that they might make a deal (if favourable on price) with Swifts on part of their limited holdings (they owned approximately 200 carcasses) in order to firm up the general price situation.

. . ."

(EKB 1706-1707)

4. Hog Buying in the Maritime Provinces

As previously mentioned there is no public stockyard in the Maritime Provinces but a substantial part of the hogs produced in New Brunswick and Nova Scotia is marketed through The Maritime Co-operative Services Limited. Canada Packers has packing plants at Charlottetown, P.E.I. and Saint John, N.B. The scale of operations at the latter plant is about one-quarter of that at Charlottetown. Swift Canadian Co. Limited has one plant in the Maritime Provinces at Moncton, N.B., at which the scale of killing is greater than the combined total of the two Canada Packers plants.

The Maritimes region is a deficiency area for pork as well as for beef. Canada Packers estimated in 1957 that of its sales of pork products in the Maritime Provinces only 40 per cent was shipped from its Maritimes plants, but it believed that the Moncton plant of Swift Canadian Co. Limited supplied a much larger part of the latter company's sales in the same territory (EKB 129-133). The relationship of hog prices in the Maritime Provinces to prices in other markets was stated by Canada Packers to be that previously described in the case of cattle, that is, that the significant factor was the delivered cost of supplies shipped from surplus areas and because the additional freight costs to Maritime points compared with Montreal were offset by transportation costs from local plants to principal consuming centres, the price of hogs in the Maritimes tended to be the same as at Montreal. As the grade of hogs is determined by inspection after slaughter the question of differences in the quality of animals delivered to various markets did not arise as it did in the case of cattle.

The sources from which the Maritime packing plants secure supplies of hogs are affected by their location and scale of operations. Swift's Moncton plant secured its supplies of hogs about 60 per cent from New Brunswick and Nova Scotia and 40 per cent from Prince Edward Island. Canada Packers secured supplies of hogs for its Charlottetown plant from the Island and the much smaller kill of its Saint John plant consisted of mainland hogs (EKB 129-133).

Toward the end of 1956 Canada Packers became concerned over competition from Swift Canadian Co. Limited in the purchase of hogs as the latter offered amounts, termed "extras", in addition to the recognized market price on some direct purchases in Prince Edward Island and also paid more to The Maritime Co-operative Services Limited than what Canada Packers considered

was the official market price at Montreal. The situation was described in a letter of December 13, 1956 from Mr. G.E. Hartlen, Charlottetown Plant Manager, to Mr. C.C. Babcock, Canada Packers' General Provision Manager:

> "Last week and again this week our hogs are costing us (St. John and Charlottetown) 1/2¢ over the Montreal price.
>
> In the past, Swifts Moncton and our two Plants simply paid the officially quoted Montreal price. Probably I should say that Swifts and ourselves at St. John buy on a delivered Plant basis. At Charlottetown we buy on an f.o.b. shipping point basis at $1.00 per hundred less. Swifts do the same on the P.E.I. hogs which they buy.
>
> As you probably know, the Maritime Co-operatives Service at Moncton are the sole selling agency for Nova Scotia and New Brunswick hogs.
>
> Last week the official Montreal market was $33.00 and our Montreal Plant confirmed this price which incidentally they do each week. Late Tuesday afternoon (last week) we made up our settlements for that afternoons kill at $32.00 (f.o.b. country basis) and sent out our cheques. The following morning we learned that Swifts were paying a 1/2¢ higher.
>
> I immediately called Ernie Hoover (Manager Swifts) and asked him why they were paying 1/2¢ over Montreal. He claimed he had battled with Roy Grant (Maritime Co-operative) all Tuesday morning. Grant insisted on an extra 1/2¢ claiming that some hogs sold on the Montreal market at $33.50. Hoover claimed he finally had to pay this price. This immediately established the Maritime price and we had to follow.
>
> I told Hoover I thought he had been wrong in giving in to Grant but he claimed in order to keep peace he had no alternative but it would correct itself next week.
>
> . . ."

Mr. Hartlen went on to say that the same thing had happened the following week and his letter continued:

". . .

Hoover promised me today that if Grant tries the same thing next week he will call me before he settles. However, this will only do good if I can persuade Hoover not to agree and this may be difficult.

As reported to you recently we are encountering fierce competition from Swifts here on P.E.I. Their paying of extras has now spread pretty well over the whole Island. We have heard of them offering farmers as much as $2.50 per hog for delivering their hogs a distance of 5 miles. In other cases they have offered farmers up to $1.50 and pick up their hogs at the barn. We have heard of several cases where they are supposed to be financing feeding.

. . .

I talked to Hoover about this last Monday but must say I didn't get very much satisfaction. I finally told him that unless he agreed to discontinue this practice that we would tell the Maritime Co-op what he is doing over here and not doing for them and that we would offer them something in the way of extras. This could possibly correct the situation because he knows the Co-op are very partial to Swifts and they get at least three quarters of their livestock. I am sure he wouldn't want to lose this confidence.

. . ."

(EKB 1267-1269)

The situation apparently carried on in much the same way during January, 1957 with Canada Packers regarding the actions of Swift Canadian Co. Limited as an attempt to increase its share of the purchase of Island hogs with the result that the percentage secured by Canada Packers would decline. At the end of January Canada Packers' Charlottetown Manager attempted to meet the competition of Swift for Island hogs by offering extras in areas in Prince Edward Island where it was thought Swift would be buying. Mr. Hartlen reported this action in a letter of January 28, 1957 to Mr. Babcock which contained the following:

". . .

We feel that by taking this action at these two points it may make Swifts realize that we are not fooling any longer. That

we are determined to get our percentage and hope it will force them to retreat.

Certainly this is not going to cost us any more (this week) than spreading less extras all over the Province which we feel will be necessary unless we can stop this whole think [sic] promptly.

. . ."

(EKB 2347-2348)

A suggestion that higher prices for hogs be offered in Swift's principal area of supply was made in a letter of February 1, 1957 from Mr. W.W. Lasby to Mr. Hartlen:

". . .

My reaction is that if you raise your basic buying price f.o.b. country points, that Grant will use it as a lever in advancing the basic price at Moncton.

But, if you think that Swift's competition on the Island is going to be such that your costs are going to be raised sharply on all your hogs at Charlottetown, then it would look like good strategy to bid up the mainland price. This action would certainly cost Swift's a lot more than it would cost you.

And, it might be the bargaining point with Grant that would get you a larger share of the mainland hogs.

The probable longer range result of this action would be that the Maritime wholesale prices on provision products would be advanced because of the higher costs of Maritime produced provisions.

I think that Canada Packers in total and also Charlottetown Plant have something to gain from this because Canada Packers and Wilsil do a much larger share of the business than either Swift's or Burn's. Our basic job is to curb Swift's activities and at the same time make sure that our actions benefit Canada Packers.

. . ."

(EKB 165-166)

Consideration continued to be given to action along the lines suggested in Mr. Lasby's letter. In a letter of February 19, 1957 to senior officers of Canada Packers Mr. Babcock presented some calculations of what the added cost would be to Canada Packers and to Swift if Canada Packers offered a higher price for both Island and mainland hogs and Swift followed suit. As Swift was the larger buyer in total their over-all increase would be larger than that of Canada Packers, whereas if the price of Island hogs alone was increased Canada Packers' costs would increase more than those of Swift (EKB 129-133). Mr. Hartlen did not take action along the lines suggested during February or March, 1957 but continued to call the Manager of Swift's Moncton plant in an effort to get him to discontinue the payment of extras for Island hogs. In a letter of March 16 to Mr. Carroll, Mr.Hartlen referred to his talks with Swift's Manager and said:

> ". . .
>
> Between our visit and our telephone calls we have indicated our willingness to not only correct this situation but to lead the way.
>
> Were it not for the President's instructions on Provisions operating I would be recommending today that we give Hoover until the middle of next week to call us. If we do not hear from him then we would go to Roy Grant and attempt to buy some mainland Hogs by offering him a little more money.
>
> But it would certainly seem wrong to do this in the Maritimes right now when at the same time we are trying to get the market down everywhere else in Canada.
>
> Our extras this week will cost probably $1.50 per hundred.
>
> Certainly you and Cal are much closer to the over-all situation than I am. I am most anxious to avoid doing anything that might upset the apple cart elsewhere. Consequently I must seek guidance rather than take action that might appear wrong to everyone else."
>
> (EKB 174-177)

Action by Canada Packers to raise the price of all Maritime hogs and thus increase Swift's costs more than its own was taken on April 22, 1957. On that date Mr. Hartlen wrote to

Mr. Carroll enclosing a copy of a newspaper advertisement which announced that Canada Packers was discontinuing the payment of all "extras" and would instead pay a premium of $2.00 per cwt. for all hogs shipped to its Charlottetown plant. Mr. Hartlen's letter contained the following:

> ". . .
>
> I talked with Roy Grant as soon as I could reach him this morning and told him what we were doing. I pointed out that we will be announcing this action on our radio broadcast and since it would be heard by a number of Nova Scotia and New Brunswick farmers that we would also pay this same premium on the hogs he gives us at St. John this week . . . .
>
> . . .
>
> I feel we definitely have Swifts on the spot this morning. One thing I am sure they must, and will do, is pay the same price we are on the Island. They now have to pay Roy Grant this same figure. By doing this, and if they continue to pay extras it will cost them a lot of money. Should they continue the extras we will simply raise our price which they will have to continue to follow. But what I like most is we are in the driver's seat and whatever they do, they will be accused of following Canada Packers. And for a change this will force them to come to us. But above all, we have been the first to do something for Roy Grant, and on a voluntary basis.
>
> Unfortunately, this is going to raise the cost of St. John's hogs temporarily but I don't think it will last very long.
>
> . . ."

(EKB 158A-159B)

The action taken by Canada Packers appears to have worked out as planned, according to a letter of April 25, 1957 from Mr. Hartlen to Mr. W.F. McLean:

> ". . .
>
> The largest single contributor to our poorer result was Hog 'Extras'. This word was almost unheard of with us a year ago, but for the Period under review it cost us $10,775.51!

. . .

This week we voluntarily offered the Maritime Co-op $2.00 per hundred over Montreal price for their Mainland Hogs. At the same time, we announced here that we were discontinuing all extras and adding $2.00 to our price. So far everything is working as planned. Swifts met our bid to the Co-op. So this week their Mainland Hogs will cost them an additional $2.00 per hundred. Our only increase will be on the 150 we regularly get at St. John. They have also followed our policy on P.E.I.

Our next move will be to try and take this $2.00 off and still stay away from extras. However, I do not think we can attempt to do this right now.

. . .

Over the years, through our anxiety to make decent profits we avoided getting into price wars with Swifts even at the cost of some percentage. Finally, of course, they overplayed their hand and tried to be too aggressive. Consequently, we had to take the necessary action. Now that we are into a fight I feel we have to back Swifts up where they belong even though it may be costly. I feel this is the time to re-establish our rightful position.

. . ."

(EKB 302-307)

Mr. Hartlen had apparently hoped that Swift's Manager would make the first approach to end the situation created by the action of Canada Packers in raising the general price level of hogs. He wrote to Mr. Carroll on May 3, 1957:

"I was in St. John Wednesday and Thursday and consequently was unable to comment on our percentage for last week until today.

We made a remarkable comeback with 65.8% of the Island hogs.

. . .

As far as we can learn there is still no extras whatever (except the $2.00) being paid anywhere. We did hear of

two cases but upon running them down we are sure there was nothing in one case and we were unable to see any proof in the other case.

My only disappointment is that we haven't heard from Filigree. [presumably the Moncton Plant Manager of Swift] I am most anxious to have him come to us. I want this so I can agree to discontinue the $2.00 immediately but to warn him that upon the very first evidence of extras in future that up goes the price again. And he knows this won't only be a threat. Of course if I don't hear from him very soon I will have to make the first move.

. . ."

(EKB 153A-155B)

When no approach was made by Swift's Manager, Mr. Hartlen made "the first move" as proposed in his letter of May 3, quoted above. He reported the outcome in a letter of May 8, 1957 to Mr. Carroll:

"Another week has gone by and I have still not heard from Ernie.

The cost of this $2.00 premium is really hurting and is reflecting in our Provision result which I am sure you have noticed.

Indications point to a higher hog market. It seems to me that this could be a good opportunity to get this $2.00 off, and all or part, could be offset by any increase in the Montreal price.

Consequently, I swallowed my pride this morning and called Ernie.

He agreed with my ideas and we have decided to take off the whole $2.00 next week. It went on in one crack and I think it should come off the same way.

I also told Ernie that I was agreeing only with the definite understanding that there would be no extras of any nature paid. If we find any being paid then up goes our <u>Maritime</u> price again.

. . ."

(EKB 151)

Mr. Hartlen reported the implementation of the planned action in a letter to Mr. Carroll on May 15, 1957 as follows:

> "In accordance with our plan we took the extra $2.00 per hundred off our hog price this week.
>
> So, as at right now, we are not paying a penny extra to anyone for hogs.
>
> Sortal [presumably Swift] broke the news to Grant. . . .
>
> . . .
>
> Our job now is to get back our percentage through clean competition.
>
> I have warned Sortal that the first proof we have of them starting extras again, on goes the $2.00 in the Maritimes and more, if necessary. Of course, we also have to keep our skirts clean and we intend to.
>
> . . ."

(EKB 149)

In Canada Packers' Statement of Position, which is summarized earlier in this report, the position was taken that Canada Packers had matched Swift's price for hogs, not only in Prince Edward Island but also in New Brunswick. Swift then met Canada Packers' price in New Brunswick and shortly thereafter prices of hogs reverted to their usual level, i.e. corresponding to the Montreal hog market.

The foregoing construction of the situation which developed between Canada Packers and Swift Canadian Co. Limited in the purchase of hogs in the Maritime Provinces and its removal overlooks some significant aspects. When the situation first developed Canada Packers competed with Swift for the purchase of Island hogs, not by making a general increase in buying prices but by paying extras on a selective basis as Swift was doing. This method was considered too costly by Canada Packers, as it was the larger buyer of Island hogs and it sought a method of increasing Swift's costs more than its own. Canada Packers could have sought to secure more hogs for its Saint John plant by actively competing for mainland hogs as Swift was doing for Island hogs, but it did not want to do this because the general price level for hogs in the Maritimes might be affected. This was pointed out by Mr. Hartlen in a letter of February 13, 1957 which contained the following:

". . .

Since the beginning of this trouble it has been obvious where we can hurt them most; to bid up on the Co-op hogs and make Swifts pay for them. But we have hesitated to do this because we realize it will be very difficult to get back to the proper level. Along with this, the Island price must be the same as New Brunswick and Nova Scotia.

I still think this latter danger exists if we talk anything up to 1¢ a pound. But if we talked perhaps 2¢ a pound I think Roy Grant would realize it is a fight and we would have a much better change [sic] to get this off rather than anything less.

While this would increase our cost of premiums from 95¢ to $2.00 per 100, it would also increase Swifts cost from 36¢ to $2.00.

. . ."

(EKB 182A-185)

It is evident that the action taken by Canada Packers in raising the price of hogs by $2.00 in New Brunswick differed in nature and effect from the competition initiated by Swift. The latter company paid extras in Prince Edward Island in order to purchase more hogs. Canada Packers raised the price of hogs in New Brunswick, not to buy more hogs in that province but to make Swift pay more for theirs. Mr. Hartlen clearly stated this in a review of the operations of Canada Packers' Saint John Plant on April 25, 1957:

". . .

We had a fair period on Provision but here again we need to kill more hogs. In a further attempt to correct our Island Hog percentage we raised the mainland paying price $2.00 per hundred this week. We did this through the Co-op and I am sure it will enhance our position with them. We do not particularly want any more of their Hogs while this deal is on (we are just making Swifts pay for them) but eventually it should be a good lever to use with the Co-op to give us more hogs.

. . ."

(EKB 299-301)

The removal of the temporary advance of $2.00 was brought about not by competition between Canada Packers and Swift but by a mutual understanding that each would revert to the Montreal price basis under a warning from Canada Packers that if that basis was not observed by Swift the price would again be raised by Canada Packers by $2.00 "and more, if necessary" (EKB 149). It must be concluded that this episode shows action by Canada Packers to control the price of hogs in the Maritimes and to maintain such control by threat of measures which would be more costly to its principal competitor than to itself.

CHAPTER XVII

THE COUNTERVAILING POWER OF LARGE FOOD RETAILERS

1. The Growth of Corporate and Voluntary Food Chains

The concept that the development of large scale units on opposite sides of a market resulted in countervailing power received wide circulation following the publication in the United States in 1952 of Professor J.K. Galbraith's book, American Capitalism - The Concept of Countervailing Power. With respect to retail trade, Professor Galbraith wrote:

> ". . . one of the most important instruments for exercise of countervailing power is the large retail organization. These are the public's main line of defence against the market power of those who produce or process consumers' goods. They are an American counterpart - and without doubt an effective one - of the consumer co-operatives which, in other countries, are viewed as an instrument for countering the power of the cartels."[1]

In Professor Galbraith's view countervailing power does not operate with precision and does not function as a restraint on market power under inflationary conditions. Other qualifications found in economic literature relate to the possibility that opposite groups may act to benefit each other without any advantage being obtained by the public generally, or that they may avoid subjecting themselves to the full potential of countervailing power.

The share of total retail food business handled by corporate chains has increased substantially since the end of World War II. In its submission in 1956 to the Royal Commission on Canada's Economic Prospects, the Meat Packers' Council of Canada made the

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1 J.K. Galbraith, American Capitalism - The Concept of Countervailing Power, (Cambridge, Mass., 1952), p. 147.

following comments on the position of corporate food chains:

> "Chain store organizations, with centralized meat buying departments, are now potent factors in the domestic meat distribution picture. Unquestionably their influence will be increasingly felt in future. One result has been that independent retailers have also set up centralized buying organizations.
>
> The packing industry, while remaining highly competitive within itself, is apparently confronted with the prospect of a concentration of bargaining power on the part of both the producer from whom it buys livestock and the retail distributors to whom it sells the majority of its products."[1]

According to reports of the Dominion Bureau of Statistics, corporate food chains accounted for 45.1 per cent of the total sales of chain and independent food stores in 1959 compared with 32.2 per cent in 1951. When account is taken of the fact that sales of large voluntary chains like the Independent Grocers' Alliance (I.G.A.) are not included in these percentages it is apparent that sales of corporate and voluntary chains together now make up a very large part of the total retail food business. (The Canadian Grocer estimated in its issue of February 13, 1960 that sales of voluntary groups were about 25 per cent of total food store sales).

Another striking feature of the growth of the retail food chain business has been the concentration of sales in large units. In 1959, one third of the sales of corporate food chains was made in stores having a volume of $2,000,000 or more and all units with sales of $1,000,000 or more accounted for more than 70 per cent of the total.

Although food chains have assumed some of the wholesaling functions in meat distribution they have not undertaken livestock slaughtering or meat processing but rely on the meat packing firms for supplies of meat products.

---

1 Submission to the Royal Commission on Canada's Economic Prospects, 1956 - Meat Packers' Council of Canada, p. 22.

2. Factors in Sales of Meat by Canada Packers to Chain and Independent Stores

It is apparent from the information on chain store operations given in the preceding section that purchases on a very large scale are made by the leading chain store companies. Such volume buying undoubtedly results in economies in some distribution operations which may be reflected in the prices at which purchases are made. An indication of the way in which size of order may affect selling and delivery costs is given in a Canada Packers memorandum of March 12, 1957, entitled "The Cost of Handling Orders". While the analysis given in this memorandum is based only on business done with independent retailers it would appear to have general application:

". . .

Order size:	% of Total Orders	% of Total Weight	Avg.Wt. Per Order	Total Sales Office and Delivery Cost Per Order	Total Sales Office and Delivery Cost Per 100 lbs.
0/10	5.6	0.1	5.4	58.0¢	$10.77
10/20	12.5	1.5	16.1	67.5	4.18
20/30	14.3	2.5	25.3	68.5	2.69
30/50	18.2	6.1	40.8	76.0	1.86
50/75	12.1	6.5	61.4	96.5	1.57
75/100	8.9	5.1	87.4	$1.16	1.33
100/150	9.0	8.1	121.6	1.24	1.02
150/200	5.7	7.1	175.1	1.43	0.82
200/300	5.0	9.2	245.7	1.55	0.63
300/500	4.5	12.8	381.8	1.72	0.45
500/1000	3.3	19.4	643.3	2.06	0.32
1000/up	0.9	21.6	2292.5	4.58	0.20
	100%	100%			

You will see from this table that small orders are very common indeed.

32.4% of our orders are under 30 lbs. and account for only 4.1% of our volume,
50.6% " " " " " 50 " and account for only 10.2% of our volume.

You will also see that while only 8.7% of our orders are over 300 lbs., they account for 53.8% of our volume.

Now it is a reasonable premise that we should expect to earn a profit (it has averaged less than 1/4¢ per pound after tax for several years) on every pound of product we sell.

It is fairly obvious that this cannot be the case when we sell very small orders. Just looking at the figures you can see that an order under 30 pounds costs us 1 1/2¢ per pound more to handle than an order

over 100 pounds. Or to take the extreme it costs 10 1/2¢ per pound more to handle an order under 10 pounds compared to one of over 500 pounds.

It is equally obvious that we cannot increase the price sufficiently on small orders to cover the losses we take.

. . ."

(EKB 1803-1808)

An earlier Company memorandum, dated June 5, 1956, compared the cost of doing business with chain and independent stores as follows:

". . .

(1) Selling cost of doing chain store business is:

Cost Excluding Delivery

City	-28.60¢ per 100 lbs.
Car Routes	-55.88¢ " " "

Cost Including Delivery

City - store to store delivery -	56.1¢ per 100 lbs.
warehouse delivery -	42.5¢ " " "

Car Routes - no figures available, but the average delivery cost is estimated at around 65¢ per 100 lbs. in Southern Ontario.

(2) Sales cost of doing distributive business (exclusive of delivery) is:

City	-123.08¢ per 100 lbs.
Car Routes	-107.18¢ " " "

. . .

The principal difference in the cost of doing business with the chains as compared to the independents is sales and delivery cost.

. . ."

(EKB 2062A-2068)

Co-operative buying arrangements made by such groups as I.G.A. stores were also considered by Canada Packers to result in a reduction in selling costs, as indicated in the following memorandum of November 5, 1954 from Mr. W.R. Carroll, Vice-President, to Mr. D.G. Brown in Hull:

> "It is quite evident that the I.G.A. people are making a serious effort to get organized in a business way in your area, and there seems no reason why they should not be successful.
>
> . . .
>
> If they take anything like 90 of your best independent customers into this group buy, I expect that you will also be reorganizing sales territories, because you will not need so many salesmen on the road.
>
> You will be able to save a considerable amount of expense, and I hope that this will be enough to repay you for any special prices you may have to give.
>
> . . ."
>
> (EKB 272-273)

The difference which a large volume of chain store business might make in distribution costs is illustrated in a letter of March 6, 1956 from Mr. J.D. Wadsworth, Assistant to Plant Manager, Toronto, to Mr. W.W. Lasby:

> ". . .
>
> Why are our prices [on broilers] so high and where are our costs out of line with competitors?
>
> . . .
>
> The vast difference appears to be in the sales and delivery expense.
>
> We estimated Skyline's sales and delivery expense at - 1.50¢ per pound.
>
> This compares with our -

Trading Department Margin	2.86¢	
Sales Margin	3.00	
Total		5.86¢ lb.
A difference of		4.36¢ lb.

The reason for this terrific difference is, of course, that Skyline has a large chain store volume which averaged with his distributive business, reduces his selling expense and his delivery cost.

. . ."

(EKB 2314A-2318B)

Sales to chain store companies and to independent retailers are handled by different salesmen at Canada Packers' plants. Dr. G.F. Clark said in evidence:

"A. We have a special group of salesmen who are chain store salesmen and they handle all the sales to the chains, with minor exceptions. . . ."

(Hearing, p. 451)

For the reasons already given, large volume purchases by chain stores would be expected to be made at lower unit prices than those applying on small orders. As the price in each case is determined by bargaining between the salesman and the buyer the outcome would depend upon the strength of the position of the large volume buyer. That such pressure might result in over-large price concessions has been a matter of concern to Canada Packers. A letter written on March 21, 1955 by Mr. W.R. Carroll, a Director of the Company, dealing with the need for "rationalizing our selling" contained the following:

". . .

As a start, we recommended that if in our selling we decided it was necessary to take a certain price from a large buyer, then the Sales Department cost should be changed to a figure that would at least not be higher than the price taken from a large buyer on an f.o.b. plant basis.

This would preclude some of the excessive bonusing by the

packers of low price operators and would give the independent trade something near a fair break.

. . ."

(EKB 232)

Mr. Carroll dealt with the same subject in a letter of March 30, 1955 to Mr. G.A. Schell:

"At our Sales Managers' Conference in January, we had a serious discussion about the problem we were creating for ourselves by such wide differences in selling prices between large buyers and small buyers.

. . .

We are becoming very aware that the increasing dominance of a few large accounts is a threat to our business; this is not alone because of their size, but even more so because so much business swings with the whims and prejudices of one or two persons.

I am sure all concerned would wish to see independent retailers and smaller chains retain at least the share of the business they now have.

Yet we are following pricing policies that seem specifically designed to put small retailers out of business as rapidly as possible.

The chain buyers who swing the big stick here cannot only buy much below the cost of independent retailers - they buy much below the prices we charge our own Sales Department f.o.b. plant.

For instance, I have before me a letter from Jack Thornley, who thought he might draw some beef from Toronto a couple of weeks ago, and gives the following comparison between the costs that were quoted to him and the selling prices at which we sold Loblaws delivered Sudbury on the same day:-

	Selling Price to Loblaws	Cost to Branch
Red Steers	36.90	39.25
Blue Steers	35.15	38.25
Red Heifers	33.65	37.25
Blue Heifers	33.65	36.75

It would not be easy to find words to describe such a pricing policy.

. . ."

(EKB 526-528)

The development of a policy to deal with the situation was recommended by Mr. Carroll in a letter to the Executive Committee of the Company on April 13, 1955:

"We are all aware of the tendency which has developed to sell large pressure buyers at lower prices and to endeavour to recoup these losses by advancing our price to smaller retailers.

But I, at least, was not aware of the extent of these differences; we are actually, in many cases, selling large buyers at cents a pound less than the cost we are putting on the same goods to our Sales Departments; I have recently passed on to the Executive Committee several instances of this practice.

The result, of course, is that the large buyers are thereby enabled to retail their goods so far below the prices at which the ordinary retailer can sell that more and more housewives are shopping at the big chains.

This is a vicious circle; it seems to me that it must be broken and that Canada Packers should give some leadership in breaking it.

The fact that we sell large buyers at such low prices means, of course, that competitors must do the same; indeed I would not wish to imply that we were always the leaders in this regard.

But certainly the fact that we are thereby forced to ask long prices from independent retailers enables our competitors to get similar prices from them; and competitors who are smart enough to do a greater percentage of their business with the small trade have a distinct competitive advantage.

To break the circle, we must do two things at once:

(a) Refuse to sell any buyer at less than some reasonable amount over our short costs.

(b) Reduce our pricing to the small trade at the same time so that competitors, not having a place to get long prices, will not be able to cut our prices to the big buyers.

Both these moves must be made at one time, and must be effectively carried through.

As an overall beginning, it has been suggested that we should establish the policy that we would not make sales to any buyer at a lower price than our current cost to the Sales Department. This would still be a somewhat uneconomic basis, but would be a good beginning.

This is the policy that Winnipeg have followed for a long time, and they believe that it has proved very sound in keeping prices in their area on a rational basis."

(EKB 522-523)

The considerable shifts in business which might arise when large portions of trade are dependent upon a few volume buyers has also been a matter of concern to Canada Packers. On April 27, 1956 Mr. H.A. Knox, Hull Plant Manager wrote to the President, Mr. W.F. McLean:

". . .

While we were well aware that the major portion of our increased volume of last year in Beef came from increased sales to the Chains, we were at the same time conscious of the fact that the loss of this business could materially affect our position in terms of volume. More recently, therefore, our thinking has been to make a determined effort to secure a better coverage of the independent trade whereby our position would be less vulnerable.

. . ."

(EKB 406-411)

A situation of this kind was described in a letter of March 7, 1957 from Mr. J. Easton, Manager of the Calgary Plant, to Mr. A.J.E. Child:

". . .

There have been two main factors behind this loss [on sausage]. One has been volume. We have had periods when we ran into trouble with Safeway, and have actually been cut off in order to try and drop our price. When we lose Safeway our volume drops badly. We are very vulnerable in this respect.

. . ."

(EKB 868-871)

Canada Packers furnished the Commission with a breakdown of the volume of its sales between chain and independent stores in the Toronto-Hamilton area during the fiscal year ended March 30, 1960. The figures for chain stores given in Table 74 include corporate chains and also voluntary chains such as I.G.A. if purchases are made on a centralized basis (Hearing, p. 1917).

Table 74

Canada Packers Limited - Sales to the Retail Trade, Toronto and Hamilton Area, Fiscal Year Ending March 30, 1960

(000's Pounds)

	Total Volume Sold:		Percentage Sales of:	
	All Products	Meat Only	All Products	Meat Only
Chain Stores	42,719	36,868	50.5%	49.5%
Independent Retailers	41,804	37,637	49.5	50.5
Total Sales to All Retailers	84,523	74,505	100.0	100.0

Source: Canada Packers Limited sales volume records.

(Exhibit H-180)

3. Efforts to Meet Buying Power of Large Retailers

The evidence indicates that various means are used by Canada Packers to meet the pressure on prices which may be exerted at times by very large buyers. On occasion Canada Packers has apparently passed up the business of a very large chain as indicated in a letter of March 15, 1957 from Mr. H.C. Farnsworth, then Montreal Plant Manager, to Mr. N.J. McLean:

> "You have raised the question of the wisdom of passing Steinberg's Beef business three weeks in a row and, while we have no doubt taken the right stand with respect to price, we always must challenge a situation like this.
>
> Steinberg's, and particularly Nat Gordon, can be very vindictive about a situation like this. If he can manoeuver us into a position where he can get along without us for three weeks, he then establishes a position from which he can make us buy our way back in.
>
> . . ."

(EKB 1906-1907)

The Montreal Plant Manager of Canada Packers considered that the acquisition of Modern Packers Limited, Montreal, by a national packer would improve Canada Packers' position in dealing with chain stores. On January 24, 1955 Mr. P.C. Kelly, then Montreal Plant Manager, wrote to Mr. G.A. Schell and referred to the possibility that Burns & Co. Limited might purchase Modern Packers Limited. His letter concluded:

> ". . .
>
> It would certainly be a break for Canada Packers if Burns did take over because there would be a better chance with the Chain Stores, and the method of doing business would be on a somewhat higher level."

(EKB 581-582)

Canada Packers attempted on occasion to co-ordinate its price policy with that of its largest competitor in dealing with large chains. In the letter of March 15, 1957, quoted in part above, Mr. H.C. Farnsworth also wrote:

". . .

Perhaps we have tied our hands too tightly by having a working arrangement with our so-called friends. In my experience, this never works except to our disadvantage.

I think it is possible to discuss prices and policies in a general way with such people but if one's hands are tied, it frequently creates artificial positions from which we cannot manoeuver.

. . ."

(EKB 1906-1907)

Mr. W.W. Lasby made the following comment on this part of Mr. Farnsworth's letter during the course of his evidence:

"A. Well, I spoke to Mr.Farnsworth about this letter, and asked him what he meant by that wording; and Mr. Farnsworth stated that he believed that occasionally, in connection with quoting beef to Steinbergs that Canada Packers advised Swifts about what we were going to quote."

(Hearing, p. 1786)

The manner in which Canada Packers made use of information exchanged with its competitors is indicated by communications between officials of the Company:

<u>February 18, 1957</u> - Mr. N.J. McLean to Mr. H.C.Farnsworth:

"As you know, we feel strongly that your largest Chain has bought Beef the past three or four weeks away below its proper value.

Lyall Cameron wired this afternoon that we had been discussing this with our friends, and found that they feel exactly the same way.

We told them that we were inclined this week to ask ..35¢ (an advance from last week of .. 1¢ per lb.) and hold firm.

They agreed that ..35¢ was still too low, but doubted the possibility of getting more than .. 34 1/2¢.

We feel satisfied they will not go below this figure.

We do not wish you to do so either.

. . ."

(EKB 1925)

March 11, 1957 - Mr. N.J. McLean to Mr. H.C. Farnsworth:

". . .

I wish we could say to you on Steinbergs, - 'Fight hard for 35¢, but go in and get your full share of the business.'

Last week they took a car each from Swifts and Calgary Packers at this price. Be sure you do not use this confidential information when talking to Steinbergs.

Again tomorrow, I am sure Swifts will be holding at ..35¢, and we must do the same.

. . ."

(EKB 2140)

March 15, 1957 - Mr. N.J. McLean to Mr. H.C. Farnsworth:

"Following yesterday's firm decision to advance prices in line with costs, our present idea on next week's price for Steinberg is .. .. .. 36¢.

I feel sure our friends' ideas will be at least as high.

We shall clear definitely with you Monday afternoon or Tuesday morning by wire.

. . ."

(EKB 1920)

July 23, 1957 - Mr. N.J. McLean to Montreal Plant and Plant Managers in Winnipeg, Edmonton and Calgary:

"Bob Swan [of Swift Canadian] just phoned that he had held absolutely firm at 36¢, and had done no business with Steinberg. They have asked him for Steer Hinds, and he intends to quote at what he considers full equivalent of 36¢. What have you done?"

(EKB 1149)

- Mr. N.J. McLean to Mr. W.R. Parliament, Winnipeg Plant Manager:

"Confidentially I have just phoned Bob Swan, acknowledging how Montreal messed up Steinberg business last week, and advising that we were holding today at 36¢ low. Feel sure he will do same. He suggested that your quotations to Chains in Northern Ontario were full cent lower than their ideas."

(EKB 1676)

- Mr. W.R. Parliament to Mr. N.J. McLean:

"THANKS YOUR TELETYPE SWAN-STEINBERG. WE CERTAINLY AGREE 36 CENTS SHOULD BE THE LOW. BOB DOES NOT KNOW WHAT HE IS TALKING ABOUT IN CONNECTION WITH OUR CHAIN STORE PRICES THIS WEEK AS WE HAVE NOT EVEN QUOTED. LAST WEEK WE DID NOT GET ANY BUSINESS FROM LOBLAW A AND P AND DOMINION STORES. UNDERSTAND SWIFTS GOT MOST OF IT. . . ."

(EKB 1677)

It was considered by the Director that the share interest of Canada Packers in Dominion Stores Limited was of significance as putting Canada Packers in a more favourable position to secure business from one of the largest corporate food chains in Canada than its competitors. The Director concluded that as a result of its share interest in Dominion Stores Limited Canada Packers enjoys a larger share of the business of Dominion Stores Limited than it does of the business of any other chain. The conclusion of the Director and the inference which he drew from Canada Packers' share interest in Dominion Stores Limited were denied by Canada Packers and statistics were produced to show that the Company enjoyed more business from some other chain stores than it did from Dominion Stores Limited.

Shares in Dominion Stores Limited were first acquired by Canada Packers about 1929 or 1930. According to the evidence of Mr. W.F. McLean, the original share interest was made as an investment by Canada Packers and over the years additional shares have been acquired for investment by taking up rights and purchasing stock, and at the time of the hearing the Company held shares amounting to about 7 per cent of the issued common stock of Dominion Stores Limited (Hearing, pp. 660-61). Since the late 1940's Mr. S.G. Bennett, who continued as a member of the board of directors of Beardmore & Co. Limited after its acquisition by Canada Packers, has been a director of Dominion Stores Limited and also of Canada Packers.

Canada Packers, of course, did not have figures as to the sales of its competitors to chain store companies and it attempted to determine its relative position by taking its own sales figures on a poundage basis and calculating average volume per chain store unit. The figures so derived are shown in Table 75.

Table 75

Canada Packers Limited (Packinghouse Division Only) -
Sales to Major Chain Stores in Canada, [a]
Fiscal Years Ending March, 1958-60

	Total Volume (000's Pounds)	No. of Stores	Average Volume per Store (000's Pounds)
1958			
Loblaw Groceterias Co. Ltd.	19,152	192	100
Steinberg's Limited [b]	17,421	93	187
Power Stores Ltd.	3,169	21	151
The Great A. & P. Tea Company Ltd.	35,002	151	232
Dominion Stores Limited [c]	54,162	349	155
Canada Safeway Ltd.	15,962	182	88
1959			
Loblaw Groceterias Co. Ltd.	18,114	217	83
Steinberg's Limited [b]	20,442	104	197
Power Stores Ltd.	4,032	23	175
The Great A. & P. Tea Company Ltd.	34,265	158	217
Dominion Stores Limited [c]	57,648	367	157
Canada Safeway Ltd.	16,378	196	84
1960			
Loblaw Groceterias Co. Ltd.	20,340	229	89
Steinberg's Limited [b]	20,681	112	185
Power Stores Ltd.	4,385	27	162
The Great A. & P. Tea Company Ltd.	33,198	162	205
Dominion Stores Limited [c]	64,419	370	174
Canada Safeway Ltd.	18,085	200	90

(a) Does not include sales from York Farms or Soap and Peanut Butter Divisions.

(b) Fiscal 1960 - Steinberg's Limited total includes sales to Grand Union Carroll's Ltd. (acquired by Steinberg's Limited in 1959).
Fiscal 1958 and 1959 - Steinberg's Limited and Grand Union Carroll's Ltd. combined to make valid comparison with fiscal year 1960.

(c) Dominion Stores Limited total includes sales to Thrift Stores Ltd. (acquired by Dominion Stores Limited in 1955).

Source: Canada Packers Limited sales volume records.

(Exhibit H-88)

The figures as to average volume per store are only significant as an indication of the relative proportion of the meat business of the various chains which Canada Packers enjoys if the average size of units of the various companies are generally similar. It was the opinion of Mr. W.F. McLean that this is generally the case, and there is some support for this view in the figures which are published for certain chain store companies in the Financial Post Survey of Industrials. The average dollar volume of sales per store based on the figures in the Survey of Industrials was as follows:

	Year Ended	Average Sales Volume per Store (000's Dollars)
Steinberg's Limited	July 25, 1959	1,650
Loblaw Groceterias Co. Ltd.	May 30, 1959	1,624
Canada Safeway Ltd.	Jan. 2, 1960	1,217
Dominion Stores Limited	Mar. 21, 1960	1,018

On the basis of the figures given in Table 75 it seems reasonable to conclude that Canada Packers enjoys a larger share of the business of one or possibly two other chain store companies than it does of the business of Dominion Stores Limited. At the same time the table shows that Canada Packers' sales of meat to Dominion Stores are almost twice as large as to any other chain. It was contended by Canada Packers that the business with Dominion Stores Limited was done on the same basis as with other chain stores and that the buyers for Dominion Stores Limited were just as keen as other buyers in making purchases. In support of this view Mr. W.F. McLean referred to the situation which had developed during the first part of 1960 when Canada Packers had increased its sales to Loblaw Groceterias Co. Ltd., Power Stores Ltd., The Great A. & P. Tea Company Ltd. and Canada Safeway Ltd., while sales to Dominion Stores Limited had decreased. There had also been a decrease in sales to Steinberg's Limited (Hearing, p. 1736).

CHAPTER XVIII

THE ACQUISITION OF WILSIL LIMITED

1. The Position of the Montreal Market

The position occupied by the Montreal market in the trade in livestock and meat has already been indicated to a considerable extent in preceding sections. As the livestock producing regions in the Province of Quebec do not raise sufficient stock to meet the demand for meat in the province, the Montreal market is in a deficiency area and additional supplies must be secured from surplus producing regions, particularly Western Canada.

The supplies shipped to Montreal from other producing areas have consisted of both live animals and dressed meat but the tendency in recent years has been to ship dressed meat rather than live animals. Some of the factors encouraging the shipment of meat rather than livestock were outlined as follows in the submission made to the Royal Commission on Canada's Economic Prospects in 1956 by the Meat Packers' Council of Canada:

> "With the invention of the refrigerator car, and the ability to ship fresh meat over long hauls, more plants sprang up in the areas of production - particularly Western Canada. Shipping livestock long distances involves loss from bruising and shrink and necessitates stopovers for feeding and watering. As a load of live cattle, the equivalent carcass weight of 10,000 lb., is about the maximum. On the other hand, about 25,000 lb. of carcass beef can be shipped in a reefer car. With packaged meat on the floor, some 40,000 lb. can be loaded. It is on such economic considerations that the meat packing industry in the West grew up. Some live animals have continued to move eastward, depending on the relationship between markets and the volume offered in different parts of the country. The relationship of rail rates on livestock as compared to dressed meats (including icing and other handling charges) has played an important part in determining where surplus Western livestock are eventually processed. . . ."

Shipments of live hogs from western surplus areas to the Montreal market largely ceased with the adoption of the rail grading of hogs. As the grade is not determined until after the hog is slaughtered, the seller prefers to have as short a time as possible elapse between delivery and grading, and shipment from western to eastern markets would add considerably to the length of time before grading. In addition, hogs suffer proportionately greater "shrink" than do cattle, when shipped over long distances. The result is that dressed hogs rather than live animals are shipped from western markets to Montreal and other deficiency areas in Eastern Canada.

Efforts of Canada Packers to influence the level of market prices in various areas have been described in Chapter XVI. It will be recalled that particular attention has been given to the Montreal market. It will also be recalled that prices of hogs in the Maritime Provinces have been related directly to prices on the Montreal market and it was shown that prices at Montreal were considered to have a substantial influence on prices in other markets.

The position of the Montreal market was described in a letter of May 27, 1953 from Mr. G.A. Schell to Mr. P.C. Kelly, then Montreal Plant Manager, as follows:

> ". . .
>
> During the late Spring and Summer months, the Montreal area is in a definite deficiency position relative to hog marketings in that area. As a result of this situation, there is more pressure to raise the buying level of hogs in Montreal than anywhere else in Canada.
>
> As stated previously, our objective is to make a satisfactory profit on our freezer stocks, without (if it can be avoided) allowing the hog market to reach dangerous levels. Because of Montreal's key position, it is most important that our operations there not only take into consideration your local situation, but, also to whatever extent possible, your operations should fall in line with our common objective.
>
> At the moment, we feel a further advance in hog prices at Montreal should not be tolerated, if it is within our power to prevent an advance. That is the reason we have asked you to bring down from Edmonton, carloads of hogs. That is also the reason why we have suggested to you that your entire kill should be sold as fresh pork. The people who

are mostly responsible for an advance in hog prices at Montreal are the small operators, who buy a few hundred hogs each for resale as fresh pork. Our strategy must be to put sufficient fresh pork on the Montreal market to prevent these small operators from raising the market.

. . .

P.S.
You have now ordered out two cars of dressed hogs from Western Canada. We should like to see you step up the amount you are bringing from the West, and from other Canada Packers Plants, so that you may be doing the major share of the fresh pork business in Montreal, thus taking the heat out of the small operators."

(EKB 1123-1124)

Action taken in an effort to assist in the control of the Montreal market is indicated in the following portions of a letter of June 22, 1953 from Mr. W.R. Parliament, Winnipeg Plant Manager and a Director of the Company, to Mr. H.M. Murray, General Provision Manager, Toronto:

"Somewhat against our better judgment we shipped Montreal two carloads Dressed Hogs on Saturday at 37¢ delivered.

According to our figuring we lost $1.47 per hundred pounds on these Hogs.

. . .

There is no doubt in our mind that we could have sold these Hogs at a profit over and above all our overhead, and therefore we cannot be too happy on the sale.

The only possible justification is that it might be good for us to sacrifice a little profit to help Montreal control their market.

. . .

If however, our gesture serves to keep the Montreal Hog market in order, we feel it might have been worth the effort.

. . ."

(EKB 1892-1893)

Mr. W.W. Lasby said in evidence that he had not gone into the figures set out in Mr. Parliament's letter of June 22, 1953 but he had examined the over-all results for the period and found that the price of hogs had dropped immediately after the date of the letter and the provision department at the Winnipeg plant had a loss in the following week (Hearing, pp. 1935-36).

The key position which the Montreal market was considered to hold in the sale of pork products was further indicated in a letter of October 28, 1953 from Mr. Parliament to Mr. Murray:

> ". . .
>
> Montreal is the key spot in Canada on Provisions. Their market controls to a great extent the prices paid on Hogs in the rest of Canada.
>
> Often their prices upset your Toronto market. Frequently they upset Edmonton and indirectly they are upsetting Winnipeg all the time.
>
> At this distance it looks as if we have no control of the Montreal situation simply because we do not sell enough Provisions in Montreal.
>
> If this is correct, then the problem seems to be to sell enough Provisions in Montreal where we control the situation. Now, how are we going to do this?
>
> . . .
>
> It seems to us that to control the Montreal situation, which in turn means to control the Canadian situation, we must at all costs sell a certain amount of Provisions in Montreal.
>
> These Provisions come from three places -
>
> (1) Live Hogs
> (2) Dressed Hogs
> (3) Purchase of Cuts
>
> At this distance it does not seem possible for Montreal to consistently buy enough live Hogs at a reasonable price to be a factor in the Provision business in Montreal.
>
> . . .

Is it not more logical to assume that it is quite evident Edmonton was built to supply the East? And certainly at one time Winnipeg was built for that purpose. If this is correct, should not the East assume some responsibility? That is, if Canada Packers as a whole are going to advance.

Now what should that responsibility be? The only suggestions that we can make that appears sound to us is to make a deal for other Plants to supply Montreal with a certain number of Hogs each week at a fixed basis.

. . .

We think the shipping Plants are entitled to their long cost, but not necessarily any profit, because to quite an extent the Plants in the West were built for the very purpose I am suggesting they should be used for.

In my wire I stated Winnipeg would be willing to ship on the basis of average cost of Hogs for the week plus long expenses. I would like to emphasize that this would lose us money because for instance, if we shipped Montreal 600 Hogs at our average cost, and continue to take our Alberta Hogs, we would be worse off than if we did not ship Montreal any Hogs and cut off 600 high priced Alberta Hogs.

However, we do not think Canada Packers would be worse off even if Winnipeg did take a little loss by theoretically shipping Alberta Hogs to Montreal, and certainly Canada Packers cannot let anybody encroach on their percentage.

If however, an agreement could be worked out whereby say Peterborough, Edmonton and Winnipeg shipped between them 2,000 Hogs a week into Montreal, would it not make it easier for Montreal to sell a lot of Provisions and control their Hog buying, and would not Canada Packers gain a lot at - Toronto, Hull, Peterborough, Winnipeg, Edmonton and Vancouver?

. . .

However, be that as it may, we think the major thing is that somehow there has to be a deal made where the Western Plants and Peterborough (who we believe is a surplus Plant) can dispose of a portion of their surplus, at least at long cost in Montreal, where the weight of the product will help our buying from Coast to Coast.

. . ."

(EKB 1888-1891)

On December 12, 1953 Mr. N.J. McLean wrote to Mr. P.C. Kelly at Montreal as follows:

> "You know how concerned I was yesterday afternoon when you suggested the possibility of a higher Hog market in Montreal Monday, due to one or two small killers insisting on what they need for fresh pork.
>
> . . .
>
> We feel strongly that, if the Montreal market advances Monday, it may cost Canada Packers thousands of dollars.
>
> Therefore, we feel you should deliberately offer small killers sufficient dressed hogs (you will probably have to take a small loss on them) to keep them quiet.
>
> . . ."

(EKB 1121)

Mr. W.W. Lasby said in evidence that in the week prior to the date of the letter the Montreal plant of Canada Packers showed a loss on provisions of about $49,000 (Hearing, p. 1973). He also said that the situation in 1953 was affected by the large storage stocks of frozen pork which had been accumulated as a result of the government price support programme while at the same time there were low marketings of hogs from which fresh pork could be secured. His evidence included the following:

"A. . . .

> The hog market in Montreal had gone up quite sharply, due to short supply of pork, fresh pork, or keen demand.
>
> The government announced a policy that they would sell to packers, or anybody who wanted them, frozen pork on the basis of $23 hogs.
>
> By the time the third week of January [1953] came along you were getting back to the normal marketings, and we were very much afraid that if we did not operate alertly that we would be in a position where, when the runs increased again, that we would have a lot of hogs over and above our fresh pork requirements that we may be paying 28 cents to 30 cents for, and we could buy part of this from the government on the basis of 23 cents.

So we were watching the situation very carefully, and selling product into Montreal, from the west, into that highest market, to make sure that our plants were going to be kept in a very, very current situation, so that when that bigger run came, and we anticipated there would be a lower market, that we would not be caught with heavy stocks."

(Hearing, pp. 1934-35)

According to the Dominion Bureau of Statistics report, Livestock and Animal Products Statistics, 1955, cold-storage stocks of fresh and frozen pork rose substantially above average holdings in February, 1952 and remained at more than double the average level until August, 1953. By September, 1953 stocks had declined to normal levels.

A reference to the purchase of hogs by Wilsil Limited is contained in a letter of March 24, 1954 from Mr. F.O. Thompson, General Provision Manager in Montreal, to Mr. G.H. Dickson:

"We realize fully the disturbing factor our market has been on your situation this week.

A great deal of preparation had been made to establish a market of $34.00 and although runs were light on Monday the indications were that no one was willing to bid over $34.00 for hogs until Tuesday morning when it was reported that one Commission Firm had bought from another over 100 hogs at $35.00. The Marketing Service stated that this established the market at $35.00 which we refused to accept until it was proven they were bought on an order from a Processor.

It was established that these hogs were purchased for two small operators in the East end who seldom have any effect on the market, but the price was reported and immediately deals were made to 19 other buyers in small lots and in addition Wilsil's took 223 hogs from Meunier at $35.00, which of course left no doubt as to the price of hogs on the Montreal market.

. . ."

(EKB 1747-1748)

The payment of "extras" which was referred to earlier in connection with the purchase of hogs in the Maritime Provinces also occurred in the Province of Quebec. The occurrence in the latter province is described in a letter of September 16, 1954 from Mr. F.O. Thompson to Mr. H.M. Murray:

> ". . .
>
> In the first place, we must keep in mind that .. 47.2% of the Quebec Marketings are produced in the Quebec City area.
>
> This, of course, has been recognized and it was this fact that started the payment of extra money over the Montreal Market in order to bring Hogs to the Montreal area.
>
> Quebec Packers have always used the Montreal Market price as their basic buying price.
>
> In the early part of 1954 our Hog costs were running over .. .. .. $1.00 above the market, due to the extras that were being paid to Shippers.
>
> The whole practice of paying extras got out of hand so that Hogs bought off the market were actually the cheapest Hogs, and this was in favour of the small Montreal Operators who were getting the few market Hogs that were being sold.
>
> . . .
>
> Our own extras are now costing us .. 25 cents per hundred on our total buy. This will increase a little but we must be sure that we are not allowing extras to run away with us again."
>
> (EKB 1737-1739)

That the Montreal market continues to be a significant factor in influencing the price of hogs in other markets in Canada is shown by the following extract from a summary of discussions at a Plant Managers' meeting, dated June 30, 1955:

". . .

Considerable discussion followed as to what stand should be taken to reduce the Montreal Hog market from 31 cents to about 30 cents. It was emphasized that lack of movement of dressed hogs between markets tended to interfere with the operation of the law of supply and demand, with the result that a very few hogs sold on the Montreal market influenced the price all across Canada. A decision will be reached on Friday or Saturday as to our method of procedure. . . .

. . ."

(EKB 2202A-2230)

At the time that Canada Packers acquired Wilsil Limited the operations of the Montreal plant were a matter of concern to the Company. Some of the unsatisfactory features were set out in a document entitled "Montreal Sales Conference - Saturday April 2nd, 1955":

"Throughout the past year, - indeed, the past three years, - one deep conviction has kept growing on the senior officers of Canada Packers, - viz., that our key problem is to sell a much larger share of Packinghouse products right across the country, - particularly in the large cities like Montreal and Toronto, where Chain Stores predominate.

We hold this deep conviction much more strongly about Montreal than any other Plant.

The plain truth is that in this largest market of all Canada, we have never done anything like our proper share of the trade.

As a result, Canada Packers have steadily become less and less of a factor as far as leadership is concerned in times of stress and strain, such as we have gone through the past twelve months.

It has taken us far too long to wake up to the realization that in this key market, we are not the leaders, but are in second or third place.

. . .

1954/55 (the year just closed) was a discouraging one,

particularly in Montreal.

Losses were heavy in all Meat accounts, particularly Beef and Provisions.

. . .

In Montreal on Packinghouse operations alone (leaving out the Oil Refinery, Fertilizer and Feeds) this
Plant lost $600,000
on top of a similar loss the previous year of .. $400,000

Did you know that if this Plant had been in the Meat business alone, as most of your competitors are, it would have turned in a loss the past two years of
over .. .. $1,000,000?

Why should a Plant of this size, on which we have spent the last five years more than two and a half million dollars in reconstruction, have to operate at such a heavy loss?

The basic reason is -

> YOU MEN DO NOT SELL ENOUGH BEEF, VEAL, LAMBS, PORK AND PROVISIONS TO COVER THE EXPENSES OF THIS BIG PLANT.

. . .

Take for example, Cooked Meats, - the Department that produces so many of our best money-makers.

Your performance is really terrible.

. . .

Two years ago, we spent .. $100,000
on an entirely new Cook Room in Montreal.
Also, the same figure .. $100,000
on new Smokehouses and other modern equipment for your Provision operations.

One cannot help questioning the wisdom of these heavy expenditures, in view of your continuing dismal performance on Cooked and Smoked Meats

. . .

Then, look at the drop in Montreal's killing percentages the past three years -

	Peak last 4 years		1955	1956 [Headings handwritten
Cattle - down from	27.6%	to	20.3%	18.1
Calves "	36.9	"	27.2	28.6
Lambs "	44.9	"	33.9	32.0
Hogs "	26.4	"	18.5	18.1
(basis gradings)	24.1		15.8 [Handwritten amendments]	

. . .

Trading Departments cannot keep on killing Livestock unless you men sell it.

And, the plain truth is that the past three years your sales of all Meats in relation to total consumption have been so low that our Killing Departments have been forced to give ground to competitors, as shown by the figures on this chart.

. . .

Because of low volume, your selling costs have been so high that your more efficient competitors have taken the business away from you.

. . .

In the past five years, Montreal have spent over .. $300,000 on new Killing Floors for Cattle, Calves and Hogs.

The only justification for spending such a large sum would be higher percentages of the total Quebec kills. But, instead of percentages being higher, they are sharply lower, - all because the Montreal sales force has not got anything like its proper share of the total available business, either in the City or on the Car Routes.

The key fact that you must carry away from this Conference is that Canada Packers are not nearly the force they should be in Montreal and Quebec, largely because of our Meat sales falling away behind the increased population and the increased purchasing power of the past five years.

True, you have shown small volume increases the past few years, but nothing in line either with increased population or higher purchasing power.

. . ."

(EKB 1100A-1111B)

Mr. W.W. Lasby said in evidence that the volume of business done by the Montreal plant did not compare as unfavourably with other plants of the Company as the summary quoted above suggested. As margarine was not sold in the Province of Quebec the Montreal plant did not have the benefit of the distribution of this product, the sales of which had grown very rapidly at other plants. With respect to the sales of meats Mr. Lasby gave the following figures showing the increases in volume of sales over a 15-year period ending in 1955 at the following plants of the company:

Hull	77.8 per cent
Peterborough	48.7 " "
Winnipeg	43.1 " "
Montreal	39.3 " "
Toronto	36.3 " "

(Hearing, p. 1993)

The position of fresh beef wholesalers in the Montreal market was referred to in a letter of June 29, 1956 from Mr. H.C. Farnsworth to Mr. N.J. McLean:

". . .

I might say that we are not the ones putting strength into this market. Out of .. 3,090 butcher-quality cows sold on this market in the four weeks ending June 15th, we bought only 279. The rest are picked up by numerous small wholesale butchers who apparently need a certain number and who have developed a special trade, and who can afford to pay higher prices to get fresh-killed cows.

I think our best bet is to concentrate on increasing our buy in the country, from Toronto and from the West. This is our best hope for increasing our percentage without creating extremely high prices on this market."

(EKB 1914-1915)

The general situation in the Montreal market with respect to beef was described by Mr. Farnsworth in a letter dated September 12, 1957 to Mr. L.R. Cameron:

". . .

Montreal has always been the biggest market for the surplus Beef Packers of Canada. It has always been considered a tough market and, over the years, the selling of Beef and the rough competitive situation has been a feature of the Montreal operation and has received more attention from Head Office and our plants throughout the country than any other part of our Montreal business.

. . . For many years Canada Packers with its beef coolers at Pointe St. Charles, Place Viger, Atwater, Mile End, Hochelaga and, later on, Moreau, were the dominant factor in the Montreal situation and, while it is doubtful if they ever made any money on the operation, they were at least looked up to as being the people who knew the most about the business and had the best-trained personnel, with the best connections to get the best Beef at the right place at the right time in the best condition.

This dominating position has always been pretty precarious because the competitive edge was never very much. In recent years (the wartime restrictions gave it great impetus) small wholesale beef operators have been sniping away and dozens of these operators have sprung up, or enlarged, setting up efficient beef coolers designed to operate with the minimum of expense - they have hired key personnel away from Canada Packers - and today, while we are still a big factor in the beef business, we find the competition from these wholesalers more and more difficult.

. . ."

(EKB 144A-148)

2. Canada Packers Acquires Wilsil Limited

The following description of the steps taken to acquire Wilsil Limited is given in the Statement of Evidence:

"The existing [Wilsil] Company with head office and plant at 1239 Mill Street in Montreal was incorporated under the laws of the Province of Quebec on March 26, 1929 to take over two companies, City Renderers Limited and Abattoirs Limited.

Abattoirs Limited was a company which had been incorporated as Wilsil Limited in 1924, but whose name was changed in March 1929.* Negotiations directed towards the acquisition of Wilsil Limited by Canada Packers Limited apparently began in October, 1954** Canada Packers acquired a majority of the outstanding shares of Wilsil Limited in April 1955.*** The number of shares purchased was 135, 157 out of a total of 135, 700 issued.**** The actual amount paid for this controlling interest is not in evidence but it appears to have been approximately three and a half million dollars. Information on this point appears in a letter dated December 3, 1954 written by A.J.E. Child, Vice-President and Treasurer to A.L. Mailman, as follows:

> 'Following our various conversations, I am pleased to advise you that Canada Packers Limited will purchase the 134, 000 common shares of Wilsil Limited, now held by you, at a price equal to the value of the net liquid assets of Wilsil Limited and its wholly-owned subsidiary companies, as at 31 December, 1954, plus a valuation of $950, 000.00 for the fixed assets of Wilsil Limited, and will purchase from you at the cost to you, understood to be $20.50 per share, all or any part of the remaining 1, 700 issued and outstanding common shares of Wilsil Limited, which may be acquired by you, all the foregoing in accordance with and subject to a purchase Agreement to be duly acceptable to and signed by both parties. [Net liquid assets of Wilsil Limited on December 31, 1953 are indicated as $2, 623, 610 in EKB 785A to 801I].'

(Exhibit EKB 774-775)

The following appears in the minutes of a meeting of the Executive Committee of Canada Packers held on January 20, 1955:

---

* Wilsil Limited, Return of Information dated October 5, 1956.

** Exhibit EKB 126-128.

*** Wilsil Limited, Return of Information dated October 5, 1956.

**** Canada Packers Limited, Return of Information dated October 12, 1956.

'Mr. W.F. McLean reported that we had been asked to proceed, at a price of $25.50 per share, with the purchase of shares referred to in previous minutes. There was some doubt as to how close this price approached the basis previously agreed upon (net liquids as at December 31, 1954, plus $950,000).

Messrs. W.F. McLean and Child will finalize this matter in Montreal on Saturday, January 22nd. If there is a major discrepancy, they will consult other members of the Executive Committee; otherwise, they will use their own judgment in finalizing the purchase agreement.'

(Exhibit EKB 117-120)"

(Statement, pp. 566-67)

The nature of the operations conducted by Wilsil Limited and its record of earnings are referred to in the following documents cited in the Statement of Evidence:

October 25, 1954 - Report to Executive Committee by Mr. A.J.E. Child, Vice-President and Treasurer, Canada Packers:

". . .

This company consists of Wilsil Limited and its wholly-owned subsidiary, City Renderers Limited. The latter holds the franchise from the city of Montreal for picking up fats and offal. Separate income tax returns are made for each company.

. . .

Schedule 'B' shows that Wilsil Limited and City Renderers Limited together have made a profit for the average of the last ten years of $397,214, before tax. After tax, the figure is $198,932. During the first five years of this period an inventory reserve of $435,000 was built up. Without this, the net profit after tax would have averaged $242,432, or approximately 8 per cent on invested capital and surplus.

. . .

Ducket is in trouble on beef operations and says he has not yet found the answer. To keep his plant going, he must bring in cattle alive from the west, which usually contain several animals of lower grades than reds and blues, which he says he must cost down in order to move. This results in a higher cost on the reds and blues, than he can get for them.

He is bringing in 9 or 10 cars of dressed cattle a week on which he usually makes a margin.

. . .

The Wilsil plant is on land leased from the C.N.R. at $6, 000 per year. A condition of the lease is that custom slaughtering be maintained. The rates are approved annually by the city council, which is usually automatic since Wilsil's and the slaughterers negotiate rates before going before the council. . . .

. . .

With the exception of the present disastrous year on freezer pork, and a bad year in 1949, pork operations have been a good profit earner. There is a good business in fresh pork, smoked meats, cooked meats, and lard. . . . I believe Wilsil's produce good product, so this account should continue to be profitable.

The new hog killing equipment is expected to make very substantial reductions in costs. It is just getting into operation, but the gang will be reduced by 20 men. A rate of 350/400 hogs an hour is expected, compared with 250 previously.

. . .

The Newfoundland branch was quite profitable until confederation, but has slipped badly since. Duckett says that volume suffers because he is afraid to grant the usual long credit terms, especially to outport accounts. At present, the branch barely breaks even.

. . .

To sum up my appraisal of their trading operations I would say:

(a) The beef account is the only one giving trouble at present. There may be several solutions to this, one of which might be working with our Mill Street plant if we acquired this business.

(b) Pork operations on the whole have been quite successful. The new equipment should make an important improvement.

(c) The rendering business is a very useful one.

(d) Custom killing may be more of a headache than a profit, but the company appears to be stuck with it anyway.

. . ."

(EKB 785A-801I)

June 4, 1956 - Letter from Mr. G.D. Mungall, Assistant Montreal Plant Manager, to Mr. W.F. McLean:

". . .

Wilsil had operated on a profitable basis up to the end of 1953, and since then, has had serious losses. [Canada Packers acquired Wilsil Limited in April 1955.]

The results after taxes and depreciation, also the volume figures back to 1945 are:

Year	Result		Volume in Million Pounds
1945	$232,000.		83
1946	244,000.		80
1947	241,000.		69
1948	248,000.		86
1949	176,000.		83
1950	214,000.		84
1951	189,000.		81
1952	235,000.		96
1953	25,000.		87
1954	-148,800.	[red ink in the	86
1955	-284,000	original]	85

In the years from 1945 to 1952 special circumstances and controls existed which affected results favourably in most cases.

Operating [results] in 1953 and 1954 were abnormal due to large Governments [sic] stocks of Frozen Pork being put on the market in 1953 and heavy freezer Pork losses in 1954.

Conditions in 1955 were not affected by anything special and trading could be considered normal. The serious loss in this year indicated clearly that something had happened to the Wilsil organization.

. . .

In May 1953, the previous owner Mr. Morrow died, and since that time, there has been a feeling of uncertainty and insecurity among the people.

. . .

When Canada Packers became involved, the situation if anything was worse. Canada Packers operated in the background and the new company did not get the benefit of close day to day guidance at the operating level.

. . .

Accounting methods which were completely foreign to them were introduced. They were more elaborate than anything they had ever known and they now had to find answers for detail operating which heretofore had caused them no concern.

In trying to absorb all the changes, they were spending their time worrying about the outcome of figures and lost some of their effectiveness in trading.

. . .

In general, they turn out good products. Their workmanship is good. The package design has appeal and has customer acceptance where available. Aggressive selling and wider distribution is what is needed.

This organization has not had the benefit of the competitive spirit which develops in a large company, like Canada Packers, where one Plant competes against another, and has fallen behind in many places. . . .

Substantial savings can be made in some of the present operations. . . .

. . ."

(EKB 802-808)

The general condition of the plant of Wilsil Limited prior to acquisition was referred to in the minutes of a meeting of the Executive Committee of Canada Packers dated November 2, 1954 as follows:

"Mr. W.F. McLean submitted memoranda prepared by our General Superintendent's Department on the property under consideration. In general, he summarized the physical condition as good only in a small portion of the property. An expenditure of $300, 000 to $500, 000 would probably be necessary to place the plant in first-class condition, with an additional $400, 000 necessary for new rendering facilities.

There was general agreement that the actual value of the buildings to us would be only $200, 000 to $300, 000, but that the sum we would be willing to pay would be based on the value to us of acquiring the business. It was considered preferable to buy the property rather than lease it, but if the present owner insists on a lease, we should consider it."

(EKB 125)

The circumstances in which Wilsil Limited was acquired by Canada Packers were described by Mr. W.W. Lasby as follows:

"A. In 1954 the Wilsil business was offered to us by Mr. Mailman, who at that time owned about 90 per cent of the shares of Wilsil.

Apparently he had acquired it from someone and offered it to us.

He was not a packing house operator himself. The business was offered to us. He had it for sale, and it was offered to us, and it was offered to us fairly aggressively, as a matter of fact. We investigated it, and sent people down to investigate, to look at the plant, and to assess the plant. Since it was a

business that we knew how to operate, as we were in the packing house business, and this business was offered for sale, and the final price was such that we felt that it was something that we should purchase, we purchased the business."

(Hearing, p. 1948)

The following reason was given by Mr. Lasby for Canada Packers' keeping confidential for a considerable time its acquisition of Wilsil Limited:

"A. The Wilsil business had been run as -- they had very good products principally in the provisions line. We felt that if an announcement were made of the purchase that we might lose some of our business, Wilsil business, that it had had. Also the Wilsil products had developed a lot of goodwill. Their brands were good and we did not want to lose that."

(Hearing, p. 1951)

3. Relative Size of Wilsil Limited and Montreal Plant of Canada Packers

The business of Wilsil Limited was heavily concentrated in the city of Montreal and in the rest of Quebec and the Maritimes. Wilsil's total sales in thousands of pounds were distributed as follows, according to a tabulation given in the Statement of Evidence:

	1950	1951	1952	1953
City of Montreal	25,199	24,979	27,100	27,700
Quebec and Maritimes	30,132	29,713	42,469	32,008
Newfoundland	2,252	2,328	2,483	1,868
Other	5,045	5,344	5,017	3,465

Source: EKB 785A-801I

(Statement, p. 571)

Both Wilsil Limited and the Montreal plant of Canada Packers do custom slaughtering, so that figures for killings of purchased livestock do not indicate fully the scale on which plant operations are conducted. This qualification should be kept in mind with respect to Table 76, which gives figures of livestock slaughtered, not including custom slaughter.

Table 76

Livestock Slaughtered by Wilsil Limited and at Montreal Plant of Canada Packers Limited, 1951-57

(000's Head)

Year	Cattle		Calves		Sheep & Lambs		Hogs	
	Canada Packers Montreal	Wilsil Limited	Canada Packers Montreal	Wilsil Limited	Canada Packers Montreal	Wilsil Limited	Canada Packers Montreal	Wilsil Limited
1951	46.0	34	100.3	37	48.6	13	242.8	127
1952	45.2	30	102.9	33	63.3	13	434.2	266
1953	50.6	34	126.0	47	66.0	11	192.7	93
1954	49.1	33	113.0	58	60.7	12	175.4	86
1955	46.4	27.3	120.5	56.7	52.5	8.8	220.5	116.8
1956	45.2	25.3	123.6	51.2	68.4	12.6	220.2	112.7
1957	51.8	24.2	104.2	55.1	57.5	16.5	192.7	88.6

Sources: Exhibits H-44, H-45, H-46, H-47 and Wilsil Limited Return of Information dated October 5, 1956.

Canada Packers also has a plant in Hull, P.Q. so that its share of slaughter in the Province of Quebec before it acquired Wilsil Limited was based on the kill of the two plants. However, the evidence indicates that a considerable part of the output of the Hull plant was distributed in the adjoining areas of Ontario.

It will be seen from Table 76 that Wilsil Limited slaughtered on its own account about two-thirds of the number of cattle slaughtered by Canada Packers' Montreal plant, somewhat less than one-half as many calves, less than one-fifth as many sheep and lambs and about one-half as many hogs. In relation to the Canada Packers' Montreal plant Wilsil Limited was a substantial competitor. Both companies, of course, brought substantial quantities of dressed meat from the West to supplement the meat produced from livestock slaughtered in Montreal.

The Statement of Evidence includes the following information as to sources of livestock killed at the Montreal plants of Wilsil Limited and Canada Packers:

> "According to information supplied to Canada Packers by the Marketing Service of the Department of Agriculture, receipts of cattle by Wilsil Limited from shipping points outside the Province of Quebec (mostly in Alberta and Saskatchewan) amounted to 32 per cent of Wilsil's total receipts of cattle in 1954 and to 33 per cent in 1955.* In this tabulation no distinction was made between receipts for Wilsil's own account, and receipts for custom slaughter.
>
> The same source is authority for the fact that in 1954 and 1955, whereas the Montreal plant of Canada Packers obtained only 61 per cent and 59 per cent respectively of its total cattle receipts from public stockyards, Wilsil Limited obtained 89 per cent and 88 per cent respectively of its total cattle receipts from public stockyards. . . .
>
> ---
>
> * Canada Packers Limited, Return of Information dated November 30, 1956."

(Statement, p. 570)

4. Operation of Wilsil Limited by Canada Packers

As in the case of the earlier acquisition of Frank Hunnisett Limited in Toronto, Canada Packers has continued to operate Wilsil Limited as a separate undertaking. Consideration has been given to

consolidation of some operations of Wilsil Limited and the Montreal plant of Canada Packers but a major step in this direction would apparently involve considerable changes in the larger plant. The nature of possible changes was outlined in a letter of June 4, 1956 from Mr. G.D. Mungall, Assistant Montreal Plant Manager, to Mr. W.F. McLean. His letter concluded:

> ". . .
>
> This change, if finally decided upon, would take considerable time to accomplish since the present Canada Packers Plant could not handle its present volume plus what it would pick up from Wilsil without some major changes.
>
> The sound move at this time appears to be:
>
> 1- Re-Vitalize the Wilsil organization.
>
> 2- Build up sales volume.
>
> 3- Make every effective saving possible while still retaining Wilsil as an independent operation."

(EKB 802-808)

According to the evidence of Mr. W.F. McLean, since 1957 slaughtering of cattle by Wilsil Limited on its own account, and presumably slaughtering of cattle by the Montreal plant of Canada Packers, have been reduced drastically because of the technique of supplying the Montreal market with beef that is killed in Western Canada (Hearing, p. 1588). This situation may provide background for the following comment in a letter by Mr. W.F. McLean to western plants on January 28, 1957:

> ". . .
>
> That close, intimate co-ordination is seriously lacking seems proven to me by the large purchases of Wilsils the past five months from other packers, instead of from our own Western Plants.
>
> I do not think you three Managers should ever have allowed Wilsils to buy so much Beef outside.
>
> . . ."

(EKB 2144-2145)

An example of co-ordination of policy in the operation of Wilsil Limited and Canada Packers is found in the sale of dry rendered tankage, a by-product of slaughtering. It was considered by management of Canada Packers that "the price in the Province of Quebec should be as high as the price in Ontario, and not about 5¢ per unit or more less than Ontario" (EKB 362-363R). The implementation of this policy was referred to in a letter of September 11, 1956 from Mr. G. A. Schell to Mr. G.D. Mungall:

". . .

Since Wilsil, Canada Packers Montreal, and Hull must produce in the vicinity of 65 to 70% of all the cracklings produced in Quebec province, it is only reasonable that we be the leaders in determining the price at which cracklings and meat meal should be sold. Because Canada Packers Feed Department uses all Canada Packers Montreal, and Hull cracklings, it therefore develops that Wilsil must exercise the leadership price-wise, as Wilsil sell most of their cracklings in the form of meat meal to the Feed trade.

I suggested to Mr. Duckett, and he agreed, that Wilsil attempt to get the same price for their meat meal as is quoted at Toronto. If a surplus develops, then a decision must be made by Wilsil and the Montreal Feed Department whether between them they wish to store the surplus or put it on the market. . . .

. . ."

(EKB 364-365R)

Replying to Mr. Schell on September 14, 1956, Mr. Mungall wrote:

". . .

You are perfectly right. The Montreal selling price for Cracklings and Meat Meal should not be based on the Toronto selling prices less freight, but instead, allowed to find their own level.

For short periods, it may be necessary to sell Montreal product at less than the Toronto price, but on the other hand, the reverse should be true at other times.

Immediately you brought this matter up, the Wilsil price was advanced to the Toronto level and our competitors have

followed the day after.

. . ."

(EKB 369-370)

Mr. W.W. Lasby gave the following evidence in regard to this matter:

"A. In the Statement of Evidence letters are quoted supporting the allegation that after Canada Packers purchased Wilsil that we were able to raise prices of meat meal to the price that Canada Packers in Montreal were securing. The letters in the Statement of Evidence include a letter from Mr. Schell in which he really criticized Mr. Duckett for not getting a better price for his meat meal. He felt he should be able to get the same price---

Q. Who is Mr. Duckett?

A. The manager at Montreal. The supply and demand situation at the time was such that it was suggested that he should be able to get the same price as Canada Packers, Montreal. That information went through to Wilsil, and Wilsil did increase their asking price and secured a higher price for meat meal in Montreal market at that time.

This chart shows the trend of the prices since that time, and it clearly shows that at times Wilsil secured a lower price than Canada Packers Montreal, and sometimes a higher price, but prices move independently. They make their own deals."

(Hearing, p. 1963)

It is not clear from the foregoing evidence of Mr. Lasby and the correspondence quoted whether Canada Packers was attempting to increase the price at which Wilsil sold meat meal to the price at which meat meal produced by the Montreal branch of Canada Packers was transferred to the Company's feed department or to the market price of meat meal at Toronto.

The chart referred to by Mr. Lasby, Exhibit H-189, shows variation in prices of meat meal between the three plants controlled by Canada Packers, namely Toronto, Montreal and Wilsil. The policy

outlined in Mr. Schell's letter of September 11, 1956 was that Wilsil "attempt" to get the same price as is quoted at Toronto and that the selling policy of the two Montreal plants be co-ordinated. It was clearly considered that the fact that such a large part of the supply of the product in question had come under the control of Canada Packers provided a basis for securing the highest possible market price at all times.

CHAPTER XIX

THE ACQUISITION OF CALGARY PACKERS LIMITED

1. The Position of the Calgary Market

On several occasions in preceding chapters reference was made to the evidence that there are advantages in killing livestock in Western Canada and shipping dressed meat to deficiency areas, as against shipping the live animals to such areas for slaughter. An indication of the relative importance of the three Prairie Provinces as sources of beef and pork is given by the figures for livestock slaughter. These figures, however, are not fully indicative because of the movement of live animals from one province to another.

Table 77

Inspected Livestock Slaughter in Manitoba, Saskatchewan and Alberta, 1950-60

(000's Head)

	Cattle			Calves			Hogs		
Year	Manitoba	Saskatchewan	Alberta	Manitoba	Saskatchewan	Alberta	Manitoba	Saskatchewan	Alberta
1950	257	76	174	120	19	64	436	190	638
1951	218	72	164	81	14	42	481	218	637
1952	222	71	198	75	12	40	775	317	983
1953	310	73	222	110	17	57	571	241	1, 053
1954	346	78	261	123	21	72	598	229	1, 073
1955	325	72	303	117	17	76	759	307	1, 254
1956	362	71	375	129	19	90	716	310	1, 183
1957	395	92	409	139	21	93	621	302	1, 088
1958	351	93	362	107	17	72	851	402	1, 353
1959	326	92	376	83	15	65	1, 111	547	1, 685
1960	363	103	440	92	14	77	764	406	1, 334

Source: Department of Agriculture, Livestock Market Review.

Table 77 shows the increase in number of livestock slaughtered in the Prairie Provinces in the period since the War and the rapid growth which has taken place in Alberta. Within Alberta, the Calgary market appears to have advantages in the supply of better quality cattle. This is indicated in a memorandum of July 13, 1954 written by Mr. F.W. Chalmers, then Canada Packers Edmonton Plant Manager:

". . .

Marketings of Choice and Good cattle at the Alberta Stock Yards in 1953 were:-

	Calgary	Lethbridge	Edmonton
Choice	21,000	7,000	14,000
Good	45,000	6,000	22,000
TOTAL	66,000	13,000	36,000

The best place to secure the type of cattle required for Vancouver would be at the source of supply, namely Calgary.

. . .

There should be an advantage in killing cattle in Calgary as compared to shipping them alive to Vancouver. . . .

. . .

The alternative to killing cattle in Southern Alberta is for us to buy cattle in the Edmonton area for Vancouver and do the killing here.

As pointed out previously, the type of cattle required are brandable and the larger numbers of this type are available in Southern Alberta. At the present time we are killing 37.6% of the cattle killed in Edmonton and obviously, if we were to step out and try and obtain sizeable numbers of brandable cattle on the Edmonton market for Vancouver, this could substantially increase our costs on all the cattle we bought at Edmonton.

. . .

As mentioned above, there are some obvious advantages in trying to increase our percentage of the Alberta kill by handling more Southern Alberta cattle. If we operated a

> cattle killing plant in the Lethbridge area, we would still be at a disadvantage on the Calgary consuming market. . . .
>
> . . .
>
> The effect of having killing facilities in Calgary would be to put us on a competitive position on price and service in Calgary. This business would allow the unit to kill more and operate at lower costs, thus reducing the cost on shipments to Vancouver. A Calgary unit could also kill for Eastern plants and branches, to give a lower delivered cost than we can presently provide by bringing the cattle we require from Southern Alberta to Edmonton for killing."
>
> (EKB 1436-1439)

Over the years the Calgary livestock market has become an important factor in establishing the level of livestock prices throughout a great part of Alberta and in influencing livestock prices in other markets. As has already been indicated, surplus livestock and meat produced in Alberta move to deficiency areas in British Columbia and in Eastern Canada and may also be exported to the United States. The Calgary market thus may respond to conditions in a number of markets as buyers seek supplies to serve particular areas. While a substantial proportion of the cattle produced in the Calgary area is sold on the public stockyards, the Calgary market handles less than 5 per cent of the total hogs marketed in Alberta (Hearing, p. 1822). For the reasons already examined, the proportion of hogs bought direct by packers is higher than in the case of cattle. In spite of this fact it has been a long-standing practice of packers in Calgary to use the published market price when making purchases f.o.b. country points. The general situation with respect to the purchase of hogs in Alberta in 1955 was outlined in a memorandum of October 18, 1955 prepared by Mr. F.W. Chalmers, then Canada Packers' Edmonton Plant Manager. The following are extracts:

> ". . .
>
> The largest single commission firm in Alberta is the Alberta Livestock Co-op. which is reported to control the selling of 35% of the country hogs.
>
> The A.L.C. has agreements with some packers to sell their country hogs each week on the basis of the average Calgary stock yards price established Monday, Tuesday and Wednesday.

Thus, the A.L.C. is able to secure, for most of their hogs, a price based on the sale of a few hogs trucked on to the Calgary market.

. . .

Swifts have a contract to buy country hogs on the basis of Calgary market. We think Katchen [i.e. Calgary Packers] has a similar agreement.

At all points where these packers have a contract with the A.L.C., all packers meet the price'. Thus, a few loads of hogs on the Calgary market establish all the packers' costs for all country hogs in Southern and Central Alberta.

. . .

The only hogs offered for sale on the Edmonton yards are those received off truck by the A.L.C.

. . .

Normally the A.L.C. asks the equivalent of the Calgary market because they know Burns, particularly, are anxious to keep the Calgary and Edmonton markets in line. A low Edmonton price (compared to Calgary) would give their main competitors an advantage.

. . .

The other Edmonton commission firms do not offer their hogs for sale. They have arrangements to ship all their hogs to Coast packers at the market price. They automatically mark their hogs to Coast packers at the price established by the A.L.C.

. . .

Because most Edmonton stock yard hogs go to the Coast, the quoted market is for Coast shipment which involves extra shrink. To allow for this delayed killing penalty and for stock yard expenses, Edmonton packers pay for their 'gate' receipts at the Edmonton stock yard price less $1.00 per 100 lbs. dressed.

Because the Edmonton price is usually established by the Calgary price, even the hogs delivered by truck to Edmonton are therefore set by a few sales on the Calgary market.

. . ."

(EKB 38X-42)

2. Competition of Calgary Packers Limited

The following description of Calgary Packers Limited is given in the Statement of Evidence:

"Calgary Packers Limited with head office at 26th Avenue and 11th Street East in Calgary was incorporated as a provincial company on January 3, 1955.[1] On incorporation it acquired as a going concern the meat-packing business carried on by Meyer and Samuel Katchen under the firm name Calgary Packers, which had begun operations in 1938 as a beef plant and subsequently added a full line of pork products.[2] . . ."

(Statement, p. 617)

The name Calgary Packers is used in this report to refer to the unincorporated firm Calgary Packers, and to its successor, Calgary Packers Limited.

The entry of Calgary Packers into the field of hog killing was mentioned in a letter of December 19, 1951 from Mr. S.F. McDougall, then Canada Packers' Edmonton Plant Manager, to Mr. N.J. McLean:

". . .

As you know, the Calgary Packers (Katchen Brothers) have recently started to kill hogs - last week 500 and the previous week 600 - and my guess is they will be regular buyers on the Calgary market. Burns, Calgary, and Union seldom buy hogs on the Calgary market. They secure their receipts either direct by truck or from country drovers.

---

1 Calgary Packers Limited, Return of Information dated October 12, 1956.

2 EKB 712.

If Katchens buy all their hogs on the Calgary market, their costs will be lower than either Union or Burns, Calgary.

. . ."

(EKB 1329)

Calgary Packers had previously become a substantial factor in the beef trade as indicated in the following figures from a letter of February 6, 1948 from Mr. S.F. McDougall, to Mr. N.J. McLean:

". . .

The year to-date killing percentages [of inspected slaughter of cattle] for the various Plants in Alberta are:-

Canada Packers	20.2%	20.2%
Swifts, Edmonton	18.3%	
Union, Calgary	13.0%	31.3%
Burns, Edmonton,	10.0%	
Burns, Calgary	13.6%	23.6%
Gainers	7.0%	7.0%
Katchen	17.9%	17.9%
TOTAL	100.0%	100.0%

. . ."

(EKB 1467-1469

The shares of inspected slaughter which have been accounted for by the Edmonton Plant of Canada Packers and by Calgary Packers are shown in Table 78.

Table 78

Inspected Slaughter Accounted for by Edmonton Plant of Canada Packers Limited and Calgary Packers, 1951-57

(000's Head)

Year	Cattle	Calves	Hogs	Sheep & Lambs
	Provincial Totals			
1951	164	42	637	36
1952	198	40	983	55
1953	222	57	1, 053	52
1954	261	72	1, 073	54
1955	303	76	1, 254	65
1956	375	90	1, 183	66
1957	409	93	1, 088	70
	Canada Packers Limited - Edmonton Plant			
1951	31 (19%)	9 (21%)	162 (25%)	5 (14%)
1952	40 (20%)	8 (20%)	225 (23%)	10 (18%)
1953	46 (21%)	12 (21%)	219 (21%)	11 (21%)
1954	63 (24%)	17 (24%)	226 (21%)	13 (24%)
1955	72 (24%)	18 (24%)	275 (22%)	17 (26%)
1956	85 (23%)	22 (24%)	255 (22%)	17 (26%)
1957	92 (22%)	24 (26%)	235 (22%)	18 (26%)
	Calgary Packers			
1951	29 (18%)	1 (2%)	6 (.9%)	-
1952	33 (17%)	1 (3%)	30 (3%)	3 (5%)
1953	38 (17%)	3 (5%)	49 (5%)	1 (2%)
1954	47 (18%)	5 (7%)	59 (6%)	2 (4%)
1955	49 (16%)	5 (7%)	85 (7%)	3 (5%)
1956	55 (15%)	4 (4%)	87 (7%)	2 (3%)
1957	62 (15%)	5 (5%)	86 (8%)	3 (4%)

Sources: Department of Agriculture, Livestock Market Review; Canada Packers Limited, Returns of Information dated October 12, 1956 and November 30, 1956; Calgary Packers Limited, Return of Information dated October 12, 1956; Exhibits H-44, H-45, H-46 and H-47.

The active competition which was created by operations of Calgary Packers in the purchase of livestock and sale of meat is indicated clearly in the correspondence between officials of Canada Packers. The following are extracts from a letter of February 19, 1953 from Mr. S.F. McDougall, then Edmonton Plant Manager, to Mr. N.J. McLean:

> "We are very concerned over the sharp advances that have taken place in our hog market this past 10 days.
>
> We are estimating a loss next week in our Provision account of $5,300.00.
>
> Unless something is done immediately in lowering our hog costs, the loss might be greater.
>
> . . .
>
> The packer mainly responsible for our hog market being out of line is Calgary Packers (Katchen Brothers). In a teletype message today, I pointed out that the Calgary hog market since a week ago Monday has advanced 50¢ a day.
>
> . . .
>
> What puzzles us is Katchen's operations. It is hard to believe that they would knowingly and deliberately lose money on their pork operations.
>
> . . .
>
> We keep asking ourselves: Has Katchen found a market that pays him a premium and allows him to bull the market?
>
> We know they are loading some fresh pork cuts into large insulated refrigerated vans which we are told are moving to Quebec. We do not know what quantity of product they are putting into freezer on speculation for shipment to the States, nor do we know if they have made any forward sales to American outlets.
>
> Katchen's operations have us baffled."

(EKB 1373-1374)

On May 2, 1953 Mr. McDougall wrote to Mr. N.J. McLean in regard to a proposal to supply Mr. Morantz in Montreal, a customer of Calgary Packers, with beef from the Edmonton Plant.

The letter contained the following:

> ". . .
>
> Over a year ago when I was in Montreal, Alex Hall and I had a discussion with Pete Morantz regarding an arrangement whereby Pete Morantz would contact us direct in Edmonton and we would endeavour to sell him beef, thus increasing our kill in Edmonton and at the same time reducing Katchen's operations in Calgary. As you know, Katchens in Calgary move a large quantity of beef almost weekly throughout the year to Morantz. At times this beef is handled on a custom killing arrangement and at other times on an out-right sale basis.
>
> Katchen, through his ability to move his beef in car lots to Montreal, has been able to step up his killing operations with the result that his percentage of the Alberta kill has risen sharply.
>
> . . ."

(EKB 1448-1449)

From time to time Canada Packers appears to have endeavoured to get other packers to modify their buying policies so as to reduce the influence of the Calgary market on livestock prices generally in Alberta. On April 30, 1953 Mr. McDougall sent the following teletype to Mr. N.J. McLean:

> "ENDEAVOURING DAILY GET SWIFT BURNS TO IGNORE USA COMPETITION ON C// LIVE HOGS WHICH ARE BEING SOLD ON UNGRADED FLAT PRICE BASIS OFF EDMONTON AND CALGARY STOCKYARDS BUT BOTH INSIST IN FOLLOWING THESE MARKETS - HOG SOLD OFF EDMONTON CALGARY MARKETS TUESDAY 22.50 LIVE AND IMMEDIATELY COAST PRICE ADVANCED TO $29.00 EDMONTON AND TO $29.50 IN CALGARY. AT THE SAME TIME THE PACKERS IN CALGARY ADVANCED THEIR PLANT TRUCK PRICES TO $29.50 AND IN EDMONTON SWIFTS RAISED THEIR TRUCK PRICE FROM $26.75 TO $27.50 KEEPING A SPREAD BETWEEN PLANTS AND STOCKYARD IN EDMONTON OF 1.50. ALL OTHER PACKERS IN EDMONTON THEN FOLLOWED SWIFTS.
>
> . . ."

(EKB 1371)

The matter was enlarged on by Mr. McDougall in a letter he wrote to Mr. N.J. McLean on May 1, 1953:

> ". . .
>
> The Alberta packers, in buying hogs, allow the tail to wag the dog. A handful of hogs on either the Edmonton or Calgary market not only influences but in most cases establishes the price on all Alberta hogs whether they are delivered to the Edmonton plants by truck or railroad. . . .
>
> One packer cannot amend the system - it must be done by unified effort. Whenever Canada Packers have taken the lead, we have lost connections and also killing percentage to others.
>
> There has been the odd occasion in the past when all the Alberta packers have ignored the stock yard prices but these occasions were of short duration.
>
> . . .
>
> I am continuing to work on Swifts and Burns to see if we cannot put some sense into our hog buying policy for all my information indicates that they too have been having a very rough time on results."

(EKB 1326-1327)

On January 27, 1954 Mr. McDougall wrote to Mr. N.J. McLean:

> "I find it very difficult to get joint action or cooperation in getting our hog market down to a sensible level.
>
> In Calgary there is very bad feeling between the three packers, particularly Union and Katchen. Burns do not operate on the market but simply meet the stock yard price on all the hogs they receive direct at their gates. They feel that their hands are tied for they have no part in making the market. Katchen and also Union to some extent, depend on yard hogs for their kill and as they are usually short of hogs every day, there is naturally a lot of fire in the market. To illustrate, on Monday of this week both Union and Katchen were short for Tuesday's kill. Katchens had first opportunity to bid on the yard hogs and as they wanted them badly, they bid \$34.50, an advance of 25¢ over Friday's close. Union immediately raised the ante 25¢, to \$34.75, and bought all the hogs, some 290.
>
> . . ."

(EKB 1352-1353)

It will be recalled that Union Packing Company Limited, Calgary, had been acquired by Swift Canadian Co. Limited in 1946.

Further activity by Canada Packers in an effort to influence market prices is indicated in a letter of April 28, 1954 from Mr. McDougall to Mr. G.A. Schell:

> "We have made a little headway but only half of what we expected. Yesterday we thought we had it all set up whereby Katchen and Union would buy the Calgary market hogs at $34.00.
>
> Katchen bought them at $35.50.
>
> This morning Foulkes of Alberta Meat was in Calgary and he and Katchen had a deal to buy Calgary hogs at $34.50.
>
> Foulkes bought them at $35.00.
>
> Understandings do not always work out as planned.
>
> We are still working."

(EKB 578)

In 1954 Calgary Packers became an active competitor of the Vancouver Plant of Canada Packers by supplying dressed meat from Calgary to the Vancouver market. This competition was a matter of concern to Canada Packers, although it was considered that locally-killed beef could command a premium over beef shipped from Alberta. Writing to Mr. N.J. McLean on May 3, 1954, Mr. W.B. Tranter, Vancouver Beef Manager, said:

> ". . .
>
> . . . We are finding increased activity from Calgary Packers and Union Packing. Calgary Packers now have four men working the trade in Vancouver and Union Packing three. It is estimated that they are selling 180 carcasses and this is giving us considerable concern because on the one hand we are trying to improve selling prices yet they are selling beef at two and in some cases three cents less than we are trying to get.
>
> . . ."

(EKB 1649-1651)

Mr. Tranter wrote again to Mr. N.J. McLean on May 6, 1954 saying that all packers were concerned over the competition from Calgary Packers and Union Packing Company Limited and that one packer sought the co-operation of trade union officials in meeting the outside competition. His letter included the following:

> ". . .
>
> Mr. Symmington of the Packing House Workers wrote a letter to the Mayor sending a copy to the Board of Trade, pointing out the menace and stating that the Calgary Packers were flooding this market with product at cheaper prices than they would accept in Calgary. This statement is wrong because upon checking up I find that the differential in prices between Calgary and here is just about the amount of freight so that it does not appear to be a case of dumping.
>
> . . ."

(EKB 1643-1648)

Mr. Tranter's letter also contained the following comparison of prices:

> ". . .
>
> Our price to the chain stores for red brand beef is 36 cents and we are not selling as much as we would like although our margin is running about minus 1.50. Super Valu bought 35 carcasses from Calgary Packers at 34 1/4. Safeway have bought about a similar quantity and we understand the price is 33 1/2 cents. Calgary Packers are selling Safeway in Calgary at 31 1/2 cents. Price Comparisons are as follows:

	Calgary Packers quotations in Vancouver, B.C.		Canada Packers Prices	
	Chain	Independent	Chain	Independent
Red Steer	33 1/2 - 34 1/4	35 - 37	36	38
Commercial Steers		30		34
Pork Loins	57	59	59	62
Pork Butts	52	53 - 54	54 - 55	56

> . . ."

(EKB 1643-1648)

It will be noted that in the letter of May 6 Mr. Tranter uses the word "dumping" in the sense of a sale being made in one market at a lower price than in another.

Calgary Packers continued to be a substantial factor in the livestock market. On June 1, 1954, Mr. W.R. Parliament, Winnipeg Plant Manager of Canada Packers, sent the following message to the Company's Edmonton Plant Manager in regard to some purchases by the Winnipeg Plant on the Calgary market:

> "REGRET ACTION OUR OPERATIONS CALGARY EMBARRASSING YOU. SITUATION HOWEVER IS THAT KATCHEN RAISED MARKET FROM 34.50 TO 35.00 AND GOT 202 ODD HOGS. DUE TO SILLY MATCHING SYSTEM OUR BUYER HAD TO PAY ANOTHER QUARTER OR KATCHEN WOULD HAVE HAD THOSE HOGS. HOGS AT 35.25 CALGARY ARE CHEAP IN RELATION TO THE TORONTO MONTREAL AND WINNIPEG MARKETS AND AS WE CAN USE THE HOGS WE CONSIDER IT VERY IMPORTANT THAT WHEN HOGS ARE CHEAP WE OPERATE AS OUR KILLING PERCENTAGE IS TOO LOW. AT SAME TIME WE CONSIDER HOGS ARE DANGEROUSLY HIGH AND EVERYTHING SHOULD BE DONE TO GET HOG MARKET DOWN EXCEPT LOSING OUR PERCENTAGE. . . ."

(EKB 1885)

Some possible advantages which Calgary Packers might have in selling beef in Vancouver compared with the cost of shipping live animals from Alberta to Vancouver for slaughter were described in a letter of July 20, 1954 from Mr. F.W. Chalmers, Edmonton Plant Manager of Canada Packers, to Mr. N.J. McLean:

> ". . .
>
> The freight rates from Calgary to Vancouver shown in our memo of July 13th are correct, but we believe Katchen is making some shipments by truck from Calgary to Vancouver at, per 100 lbs., ... $1.75.
>
> To the live freight rate of $1.00 per 100 lbs. must be added the cost of feed and water.
>
> We have made a rough calculation (attached) which shows an advantage on dressed beef ex Calgary compared to live cattle killed at Vancouver of, per 100 lbs. dressed, ... $2.00.
>
> . . .

The fact is that Katchen is able to sell dressed beef in Vancouver at prices with which our Vancouver people are apparently unable to compete.

. . ."

(EKB 1432A-1434B)

3. Purchase of Calgary Packers Limited by Canada Packers

The earliest reference in the evidence to the purchase of Calgary Packers by Canada Packers is found in Mr. W.B. Tranter's letter of May 6, 1954, previously quoted in part, in which he said he had learned that one of the principal owners of Calgary Packers would like to sell out. Mr. Tranter added:

". . .

. . . I doubt if the time is ripe now but it may develop before too long that the plant can be bought worth the money. I feel if this can be done that we should consider seriously the purchasing of it. . . .

. . ."

(EKB 1643-1648)

Mr. G.A. Schell wrote to Mr. Tranter on May 10, 1954 asking him to forward any further information he might obtain immediately "as we might be interested if they are willing to sell out at a reasonable price" (EKB 587-588R).

The purchase of Calgary Packers as an alternative to Canada Packers' building a plant at Calgary was mentioned at a meeting of the Executive Committee of the Company on January 20, 1955. The minutes contain the following:

". . .

Calgary Packers

It was reported that Fred Chalmers had had plans under way for a beef killing plant (plus a branch) in Calgary. However, it appeared that the Katchen business was for sale, and this avenue is being explored.

. . .

(EKB 117-120)

By this time Canada Packers was actively interested in acquiring the business, according to the following letter from Mr. W.R. Carroll, Assistant General Manager, to Mr. G.A. Schell:

> "This is just a reminder that since Sam Katchen was not at Hamilton, that matter will need to be pursued at an early date in some other way.
>
> I have no particular suggestion to make in this regard, but do wish to get the matter back on the record, because I agree that it is very important that we do not miss any possible opportunity that may exist there."

(EKB 567)

Mr. Schell met Mr. Sam Katchen the following month and wrote to Mr. W.R. Parliament, Winnipeg Plant Manager, on February 23, 1955:

> "I saw Sam Katchen at the Council Meeting in Hamilton, and had lunch with him the following Tuesday. . . .
>
> Katchen took the following attitude:
>
> (1) Calgary Packers plant is for sale.
>
> (2) The asking price will include a fair amount for goodwill.
>
> . . ."

(EKB 618)

The initial discussions with the owners of Calgary Packers did not lead to an offer by Canada Packers as the asking price was considered too high. Mr. G.A. Schell wrote to Mr. D.M. Stewart, Vancouver Plant Manager, on May 16, 1955:

> "We had two sessions with Katchen Brothers, and while they indicated that they wished to dispose of their plant, they asked us over .. $2,000,000. That figure was so far out of line with our ideas that we did not even make a counter offer.
>
> Our opinion, after viewing their balance sheets and upon examination of their plants, led us to believe the business should be bought for .. $1,200,000, or less.

We decided simply to do nothing further with respect to Katchen. We feel that their business would be attractive neither to Burns or Swifts, consequently, they would have a difficult time finding a buyer other than Canada Packers.

. . ."

(EKB 575)

Subsequently the sale of Calgary Packers was negotiated through a New York broker acting on behalf of Canada Packers whose interest in the transaction was apparently not disclosed until agreement on price was reached in October, 1955. Canada Packers paid $1,375,000 as the purchase price for Calgary Packers, according to the Company's return of information. The sale was completed on November 7, 1955.

4. Operations of Calgary Packers Limited after Acquisition

Calgary Packers since its acquisition has been operated as a separate company under the control of Canada Packers. This method of operation was forecast in the minutes of a meeting of the Directors of Canada Packers on October 20, 1955:

". . .

It was reported that we had acquired all outstanding shares of Calgary Packers Limited through a New York broker. . . .

The concensus [sic] was that this was a desirable plant, and the Directors expressed satisfaction that we had been able to acquire it. No decision as to our method of operating was attempted but, in general, it was felt that the business, as far as possible, should stand on its own feet and that its sales to Eastern Canada should be made direct rather than through Canada Packers' Eastern Units.

. . ."

(EKB 106)

A suggestion of the Edmonton Plant Manager that products of Calgary Packers should be put up under Canada Packers' brands was the subject of the following comments in a letter of Mr. W.R. Carroll, Assistant General Manager, written on November 21, 1955:

"One comment in your letter of the 8th rather puzzled me, and that is the suggestion that we should promptly switch 'Calgary Packers' to 'Canada Packers' and put a strong Sales Manager in the plant.

My impression from an examination of the records, is that Calgary Packers have been doing a much better selling job in recent years than we have.

They have not only been going up very fast on volume, building a complete provision business in the last six years, as well as gradually increasing their beef business, but they have been doing this at a nice profit.

It seems to me that we would be satisfied if they could continue their progress while we learned something from them about merchandising product out West in larger quantities and at a good profit."

(EKB 290)

Mr. Carroll wrote again on the same subject on November 25, 1955 to the Edmonton Plant Manager. His letter contained the following paragraph:

". . .

You are not competing with Calgary Packers -- you and Calgary Packers together are competing against all the outsiders in your territories.

. . ."

(EKB 286-287)

The services of the Canada Packers organization with respect to banking, accounting, auditing, plant supervision, etc. were available to Calgary Packers but actual integration of operations in any department was not made for about a year, when livestock buying organizations of Canada Packers and its subsidiary were combined in Calgary. Notice of the co-ordination of buying activities was given in a letter of November 30, 1956 from Mr. L.R. Cameron, General Beef Manager, to other Company officials:

"It has been decided to combine the two livestock buying organizations in Calgary into one organization operating under the name of Canada Packers Limited.

This buying organization for livestock in the Calgary area will be under the control of Calgary Packers.

. . .

The reason this change in organization has been decided on, is that we found when running two sets of buying organizations that in the Auction Ring they were bidding against each other every day. In addition, there will be some saving in manpower through running one buying organization.

It is also our hope that in combining the two buying organizations, we will be able to get more cattle at a reasonable price. Under the set-up of two buying organizations, it was found that frequently competitors were able to step in on a bid, taking cattle that either Calgary Packers or Canada Packers should have owned."

(EKB 1610-1611)

Calgary Packers, prior to its acquisition, had relied to a very large extent on purchases of cattle on the public stockyards for its supplies. In the period up to 1955 the percentage of cattle which Calgary Packers bought direct tended to decline, although the number of head purchased increased substantially. From 1953 to 1955 it secured about 90 per cent of its supplies of cattle from public stockyards, whereas the Edmonton plant of Canada Packers bought only about one-third of its supplies of cattle on public stockyards. After Canada Packers acquired Calgary Packers direct purchases of cattle by the latter tended to increase, the proportion growing substantially in each year, as shown in Table 79.

Table 79

Percentage of Cattle Purchases Bought Direct by Calgary Packers, 1949-58

Year	Total Number of Head of Cattle (000's)	Percentage Bought Direct(b)
1949	(a)	20.9
1950	(a)	17.5
1951	29	12.8
1952	33	22.1
1953	38	10.3
1954	47	10.7
1955	49	9.2
1956	55	13.0
1957	62	18.2
1958	(a)	24.1

(a) Not available.

(b) All purchases of cattle from sources other than public stockyards.

Sources: Exhibit H-44; Calgary Packers Limited, Return of Information dated October 12, 1956 and Canada Packers Limited, Return of Information dated November 30, 1956; Exhibit H-191.

The change of Calgary Packers from an independent enterprise to part of a major packing company is reflected in the following document of Canada Packers entitled "Edmonton Plant Review" and dated September 12, 1956:

". . .

Eastern hog markets remain steady at Toronto $27.75 to $28.50, while Calgary went from a low of $24.50 to a high of $28.25, and dropped back to $27.00.

The low of $24.50 was reached when all Western buyers laid off the market.

Similarly, for the last two weeks none of the major packers, that is Canada Packers, Calgary Packers, Swifts, Union and

Burns, have been bidding.

This market is now supported entirely by small Coast packers - Pacific Alberta Meat, Fletcher, Clappison and Brown.

Nothing has been accomplished in Alberta with regard to hog contracts based on the Calgary market and we are still working on this.

The hope has been expressed that if the major packers lay off the Calgary market, some correction can be made, but indications are that the selling agencies can just about keep the Calgary market at the Eastern levels by selling the very small number of hogs presently on the market to Alberta Meat and Pacific Meat.

There have been times in the past when it has been possible to take some heat out of the smaller Coast operators by dumping surplus product, but at the moment there is no surplus product to dump.

. . ."

(EKB 491A-505E)

A further change was made in the structure of the meat packing industry in Western Canada when Alberta Meat Co. Ltd. of Vancouver, B.C., one of the small packers mentioned in the foregoing document, was acquired by Swift Canadian Co. Limited in 1958.

Another example of co-ordination of buying policy among plants of Canada Packers and its subsidiary is given in part of an "Edmonton Plant Review" of July 17, 1957 dealing with the price level of hogs:

". . .

By week 14 our market had advanced to the same level as Toronto, whereas the spread should be approximately $3.50 per 100 lbs.

In an effort to correct this, we dropped our truck price $3.00 per 100. Calgary Packers and Canada Packers, Vancouver, also lowered their bids on the Edmonton and Calgary markets by the same amount. We believe that Swifts took action similar to ours.

In three days the market dropped $1.75 but when the Eastern market moved up, Eastern buyers again advanced our market. The net result was that we temporarily halted our heavy losses and lost some hogs.

. . ."

(EKB 331A-343)

Mr. W.F. McLean said in evidence that Calgary Packers Limited was acquired by Canada Packers because the Company had already decided to build a beef killing plant at Calgary and when it learned that an established plant was for sale the purchase was made (Hearing, p. 2017). In the Company's Statement of Position it is admitted as a possibility that if the Company had built a plant instead of acquiring Calgary Packers competition in the Calgary area might have increased. The evidence which has been reviewed indicates more definitely that such a result would have been most probable. In addition, it indicates that the changing of Calgary Packers from an independent enterprise to part of Canada Packers removed a competitive element in the market.

CHAPTER XX

POSITION OF CANADA PACKERS AS A MULTIPLANT ENTERPRISE

1. Efficiency of Large Scale Packing Plants

The variation in the size of meat packing plants operated by Canada Packers has been indicated earlier in this report in referring to the average weekly kill at the various plants. Other indications of size are given by volume of sales and amount of investment, the figures for which are shown in Table 80, along with those for weekly slaughtering capacity.

Table 80

Relative Size of Canada Packers Limited Plants

Plant	Weekly Slaughtering Capacity				Total Sales	Investment[a] (000's Dollars)		
	Cattle	Calves	Lambs	Hogs	(000,000's Pounds)	Fixed Assets	Inventories and Receivables	Total
Toronto	4,500	3,000	3,000	18,000	511	13,473	16,693	30,168
Winnipeg	4,500	2,000	3,000	12,000	150	5,034	4,695	9,729
Montreal	1,500	4,000	4,000	8,000	194	3,605	4,844	8,449
Edmonton	2,000	600	600	8,000	58	1,809	2,155	3,964
Hull	800	1,600	1,500	4,500	49	1,132	1,447	2,579
Vancouver	750	400	1,000	1,800	67	1,745	2,559	4,304
Peterborough	600	400	400	3,000	20	539	626	1,165
Charlottetown	300	50	1,200	2,500	10	651	597	1,248

(a) Includes car routes, creameries, branches and other sub-units.

Sources: Canada Packers' Return of Information dated October 12, 1956 and EKB 722.

No detailed analysis of the differences in operating costs of small, medium and large packing plants was included in the material presented by the Director or in the submissions made to the Commission by Canada Packers. Reference has already been made to the evidence of Dr. G. F. Clark that factory expenses at the Winnipeg plant run about 45 cents per cwt. lower in beef killing operations than at the much smaller Charlottetown plant (Hearing, p. 347). Dr. Clark also gave evidence that there are large differences in operating costs between a very small packing plant and a medium or large plant. As between a medium sized plant and a large plant Dr. Clark pointed to economies in investment and in operations which favoured the large plant. On the first point it does not cost twice as much to erect a plant to kill 1,400 cattle compared with one killing 700 cattle per week. This also applies to equipment, such as boiler and refrigeration plants, for the larger plant as compared with the smaller. Dr. Clark considered that the same factor applied with respect to supervisory and office staff, which does not increase directly with the size of the plant.

Dr. Clark mentioned several classes of equipment which could only be employed economically in plants of at least a certain minimum size. A "Can-Pak" system of slaughtering has been developed for cattle. The use of this equipment would not be economical in a plant killing less than 600 to 700 cattle per week, but this equipment reduces the time for the slaughtering operation from 50 minutes to 30 minutes. In the manufacture of bacon faster slicing and automatic weighing and packing equipment is now available but its use is only economical in a plant which has a capacity equivalent to a weekly kill of 1,500 hogs (Hearing, pp. 2098-2100).

Canada Packers filed certain exhibits with the Commission to show changes in plant efficiencies from 1948 based on production per man hour. These exhibits were derived from the individual plant records and do not compare the relative efficiency as between plants. Table 81 shows the percentage change in output over a period of 8 years for various sectors of Canadian manufacturing industry and for the plants of Canada Packers.

Table 81

Comparison of Productivity Changes in Industries in Canada and Canada Packers Limited

Industries in Canada	Per Cent Change, 1947 to 1955
Primary manufacturing	28
Secondary manufacturing	26
All manufacturing	27
Private business sector of the economy	21

Canada Packers Limited Plants	Per Cent Change Fiscal Year Ending March 1948 to Fiscal Year Ending March 1956
Toronto	43
Winnipeg	34
Montreal	37
Edmonton	33
Hull	29
Vancouver	25
Peterborough	33
Charlottetown	46 (from March, 1949)
Chicago	21
Danville	50 (from March, 1950)
All Plants	30

Sources: Chapter 5, Appendix F of "Output, Labour and Capital in the Canadian Economy", a study prepared for the Royal Commission on Canada's Economic Prospects and Canada Packers Limited accounting records.

(Exhibit H-202)

The rate of return which Canada Packers has secured from its investment in various plants does not appear to be related to the size of the plant. The following tabulation in a Company document dated July 11, 1955 relates trading profit and interest to the investment in each plant. The amount for interest is based on the practice of Canada Packers of charging each unit 6 per cent on fixed and working capital.

"Ten-Year Plant Results (1946-55)
(including sub-units)

000's

	Trading	Interest	% Earned on Investment
Toronto	$16,716	$13,843	13.2
Montreal	2,464	4,606	9.2
Peterborough	323	749	3.4
Hull	2,141	1,188	16.9
Winnipeg	5,606	4,995	12.7
Edmonton	2,632	2,111	13.5
Vancouver	1,406	1,671	1.0
Ch'town	150	431	8.1
Chicago	672	1,363	9.0
Danville	936	266	15.1
Fertilizer	6,629	3,359	17.9
TOTAL	$34,171	$34,607	11.9"

(EKB 981A-982B)

2. Management of Multiplant Operations

Various instances have been mentioned in preceding chapters when Canada Packers attempted to co-ordinate operations of various plants in an effort to improve market conditions and make the position of the Company as a whole more satisfactory. Although each plant of Canada Packers is treated for management purposes as a separate undertaking, it is evident that each unit would have any advantages which would be derived in a company as large as Canada Packers from having highly skilled central accounting and management organizations, access to ready credit on favourable terms, national advertising and comprehensive research and development work. Other advantages in a large scale

enterprise might come from savings in transportation and in the procurement of equipment and supplies.

The combination of centralized direction of operations with responsibility of individual plant management in the Canada Packers organization has given rise to problems of reconciling one interest as against another as each plant attempts to make the best showing in its own operations. Some of these problems have been illustrated previously when the evidence as to relationships between markets was reviewed. The following instances are further illustrations.

On December 7, 1953 Mr. S.F. McDougall, then Edmonton Plant Manager, wrote to Mr. N.J. McLean:

> ". . .
>
> We have a double barrelled job to do - buy our hogs in line with our Eastern and Winnipeg plants and, at the same time, purchase 40% of all the hogs shipped from this area to Eastern Canada. Last week we purchased 35%.
>
> Had we not tried to buy our hogs last Friday at a steady basis, we would have had 40%. As it was, the commission firm who had LeGrade's order raised the market which in turn was instrumental in raising the whole level of our hog market.
>
> I can assure you that in our own interests, we will try and buy any hogs for shipment to Eastern Canada at the lowest possible price, for any heat we put in the market has a direct influence on the hogs we kill in Edmonton."

(EKB 1356)

The problem of pricing as between plants of Canada Packers is reflected in the following communications, in which the relative positions of Company plants as suppliers or buyers are discussed. In a letter of October 28, 1953, Mr. W.R. Parliament, Winnipeg Plant Manager, wrote to Mr. H.M. Murray:

> ". . .
>
> From my visit out West, there is no doubt in my mind that both Burns and Swifts' Western Plants are selling their stuff in Eastern Canada relatively better than Canada Packers' Western Plants.

. . .

Then of course, Burns are selling in the Maritimes, shipment direct from Winnipeg, and their other Western Plants, which means that they are getting a better return than Canada Packers Western Plants.

Under our present system there is a tendency for both Toronto and Montreal Provision Departments to take the lowest offering they can get from any Packer of any kind, and throw it at the Western Plants. This offering may only be on a small quantity of stuff, but the Eastern Departments use it to bear down the Western Plants.

. . ."

(EKB 1888-1891)

A letter of January 28, 1957 from Mr. N.J. McLean to Plant Managers in Winnipeg, Edmonton and Calgary contained the following:

". . .

Then, there is no question that at various times our Eastern Plants feel that small killers in Toronto succeed in buying in the West a far larger share of the desirable Cattle that are in demand than we are able to get.

Quite often our Eastern people feel they are under a handicap instead of an advantage over these small killers, as far as Western buying is concerned.

. . ."

(EKB 2144-2145)

The co-ordination of buying and selling among plants of Canada Packers to secure the largest distribution of its overall production by the Company itself has been a problem over the years. On March 1, 1949, long before Wilsil Limited was acquired by Canada Packers, Mr. N.J. McLean wrote to Mr. S.F. McDougall in Edmonton:

". . .

How do you explain Wilsils' being able to buy 13 loads in Edmonton last week and our Montreal order remaining blank, as usual?

Of course, we all agree that your own buying order should come first in Edmonton but, it does not help either you or our Montreal people to allow Wilsils to buy 13 loads.

And, it is very disturbing to learn that Wilsils' buyer calls these Edmonton cattle very cheap compared with the Montreal Market.

It is high time, (indeed long overdue), for you to step in and do something about this."

(EKB 1408)

On January 16, 1957, over a year after Wilsil Limited had been acquired, Mr. N.J. McLean wrote to Messrs. W.R. Parliament, F.W. Chalmers, J. Easton and W.W. Lasby:

"It gave me a shock to learn again this morning that, in the last eight weeks, Wilsils have purchased -

a total of	.. ..	65 cars of dressed beef
from Canada Packers, only	..	24 "
from outsiders,	..	41 "

. . ."

(EKB 2148)

In the letter of January 28, 1957 to Plant Managers, referred to above, Mr. N.J. McLean said:

". . .

That close, intimate co-ordination is seriously lacking seems proven to me by the large purchases of Wilsils the past five months from other packers, instead of from our own Western Plants.

I do not think you three Managers should ever have allowed Wilsils to buy so much Beef outside.

. . ."

(EKB 2144-2145)

At this time, Calgary Packers Limited had also been under the control of Canada Packers for more than a year. Its Manager, Mr. J. Easton, wrote to Mr. N.J. McLean on January 22, 1957:

> "We would like to be selling more beef to Wilsil, but we also wish to continue to look after the regular customers that Calgary Packers had before our acquisition of the firm.
>
> In the past eight weeks we have shipped 141 Cars of Beef to Eastern Canada and outside of the regular customers that we have been servicing, each and every week, we shipped 34 Cars to Canada Packer Plants and 2 Cars to Burns.
>
> . . ."

(EKB 1425)

On March 15, 1957 Mr. H.C. Farnsworth, Montreal Plant Manager, wrote to Mr. N.J. McLean about the sale of meat to Steinberg's Limited:

> ". . .
>
> Calgary Packers, of course, upset the apple cart one week. Actually their Beef is preferred. They should operate independently from us but should always aim to get half a cent more than us and probably hardly ever less than Canada Packers.
>
> . . ."

(EKB 1906-1907)

While the management, technical and research organization maintained by Canada Packers is considered to give the Company advantages not possessed by smaller packers, it gives rise to overhead costs which have a bearing on the competitive position. In an address to a Company Sales Conference in April, 1955, Mr. W.F. McLean said:

> ". . .
>
> It is impossible for small Packers to maintain the kind of scientific and administrative staff that we do. This gives us a very great advantage over them. However, this

advantage carries with it its own penalties and dangers. We must maintain our volume in our main lines of business or the cost of these services will become unreasonable on a per pound basis

. . ."

(EKB 943A-958D)

The same subject was discussed at a Plant Managers' Meeting on June 23 and 24, 1955. A document entitled "Summary of Proceedings" contains the following:

". . .

It was acknowledged that many small operators had been smarter than ourselves. These operators very rarely received higher prices from the Chains than we did. The fact that they remained in business lent added weight to the evidence that we had been throwing away money all through our Beef operations.

. . .

In introducing the discussion, Mr. Schell explained that there had been a growing feeling among some at Head Office that our expenses were getting seriously out of line. As compared with 1946/47, the number of people employed in almost every section, except plant workmen, had grown out of all proportion to the increase in the volume of business. This left us very vulnerable to price competition.

. . .

While the initial reaction might be to ascribe the increase to higher wages and salaries, the following figures indicated that increased staff was the real reason for the higher expenses:

Staff Increases since 1946

Technical personnel	135%
Plant Clerks	112
Trading Departments	97
Clerical	68
Salesmen	32
Foremen and Sub-Foremen	16
Hourly paid	2

While it might, on the surface, seem possible to justify these increases by citing changes in the type of business done, etc., it was obvious that our Plant Efficiency System had effectively controlled the number of hourly paid workers, and that no similar control had operated in other areas of the business. . . .

In the past ten years, we have ploughed back about three million dollars annually into the business; yet our profits have not improved. Some competitors have not allowed their staffs to increase as ours have done. We cannot justify increased staff unless it is accompanied by an increased percentage of profit. Even a cursory look at our expenses reveals that the only place where substantial savings are possible is in staff.

The present staff was no doubt fully occupied, and savings must be made by improved organization and elimination of unproductive or unnecessary work. But such savings would be lost if the staff so released were merely transferred elsewhere in the business. . . .

. . ."

(EKB 2202A-2230)

The problem of adapting a large scale organization to a major change in the system of distribution was referred to in a letter of March 12, 1956 from Mr. W.F. McLean to the Executive Committee of the Company:

". . .

The chain stores have had very rapid growth the past few years. They are doing a larger and larger portion of the retail food business. Recently, the growth of voluntary chain organizations has accelerated this transfer of the retail business from independent merchants to chains.

The main principles of our sales organization were formulated when chains were an insignificant factor. In the meantime, our market has changed radically and I do not believe that our sales organization has changed in a way that allows us to take full advantage of the new conditions.

. . .

There are a number of small Packers who sell a very large percentage of their production to chain stores. We can all

visualize a system with very low expenses and very limited staff in the clerical and office departments under these conditions. We are forced to compete with these people or to eventually surrender to them a large share of the chain store business. We must, therefore, design an equally economical system of dealing with chain store business, and our accounting must be done on a true basis which reflects our actual costs.

. . ."

(EKB 998-1001)

Reference has been made earlier in this report to the effect which a reduction in rate of kill has upon unit costs and the fact that this makes a meat packer reluctant to reduce the scale of operations even though the market for the product is not favourable. The overhead costs of Canada Packers have a particular significance in this connection. This is illustrated by the following extracts from a document entitled "Plant Managers' Meeting, June 20th, 21st and 22nd, 1957":

". . .

The increased kills by competitors has helped them reduce their operating expenses per 100 pounds and, therefore, strengthened their position and made the regaining of this business that much more difficult.

. . .

An example of how increased or decreased killings affect overhead expenses is given for Toronto Plant.

Average weekly kill last fiscal year - 4,108 cattle
" " " Periods 1 & 2 this year - 3,603 "

	Periods 1 & 2 This Year	Total Last Year
Overhead Expenses per 100 lbs. Tel. & Tel., Advertising, Buying, Taxes, Ins., Travel, Office Expense, Depreciation, Interest	80.5	64.3

With decreased kills, Toronto overhead expense advanced by 16.2¢ per 100 pounds, compared to last year's average.

. . ."

(EKB 887-903)

3. Earnings of Canada Packers

The Statement of Evidence reviews in some detail the earnings record of Canada Packers and compares the rate of earnings over the years with comparative rates available for the United States meat packing industry and some Canadian packing companies.

The high rate of turnover in the meat packing industry means that company earnings are characteristically at a low ratio per unit of sale in weight or value. This feature was referred to in an address given to a Company sales conference in April 1953 by Mr. J.S. McLean, then President of Canada Packers:

". . .

. . . On the surface it may seem the narrow margin of profit makes the business a hazardous one. In fact, just the opposite is the case.

The narrow margin on sales is sufficient, because the turnover is so rapid.

A successful packing company turns over its capital seven or eight times within a year. Many persons do not realize the significance of this fact. It is most important that our Salesmen realize it. For this is the reason for our constant drive for volume and our constant pressure for prompt collections.

What does turnover mean? In respect of fresh meats it means this: we buy the live animals today, process them into meats within three or four days, deliver them to our customers within another six or seven days, and get our money back within another eight or nine days. On average, the interval between the day we pay for the live stock and the day we get the money back into the Bank is, perhaps, 25 days.

There are 365 days in the year. In other words, on Fresh Meats we turn over our money approximately 14 times within a year.

In the case of Cured Meats and Cooked Meats, the processing period is longer. Average turnover is perhaps ten times per year.

On other important lines such as Fertilizer and Canned Goods, turnover is only once per year.

On all products which it handles, Canada Packers actually turns over its capital between seven and eight times each year. This means that if we make a net profit of 1% on sales, it works out at year-end to a net profit of 7 or 8% on capital. And capital in this sense includes the accumulated reserves.

. . ."

(EKB 203A-226I)

Published figures relating to capital employed and net profit of Canada Packers were tabulated in the Statement of Evidence for the years 1928 to 1957. It was the opinion of the Director that the published figures under-stated Canada Packers' rate of earnings for four reasons:

(a) amount of depreciation charged against income,

(b) profit-sharing involved in the employees' bonus plan,

(c) accumulation of profits in subsidiaries,

(d) significance of hidden reserves.

Since its inception it has apparently been the policy of Canada Packers to make provision for depreciation at a higher rate than that allowed for income tax purposes and to charge the largest possible amount to repairs.

The policy of profit-sharing was adopted by Canada Packers through the payment of bonuses to employees in the mid-30's and payments have been made in every year except 1952. The following information about bonuses is given in the Statement of Evidence:

". . . When J.S. McLean appeared before the Special Committee on Prices in 1948 he referred to a table* which had been prepared by the Company which showed for the fiscal years from 1936 to 1948 among other things, a comparison between bonuses paid to employees and net profits. This is given hereunder:

---

* Special Committee on Prices, 1948, Proceedings, p. 2696.

Fiscal Year	Bonuses	Net Profit
1936	$ 414,775	$1,288,011
1937	511,672	1,522,663
1938	193,040	1,100,559
1939	216,235	1,238,736
1940	590,018	1,667,810
1941	699,499	1,555,028
1942	755,314	1,611,465
1943	791,762	1,611,418
1944	937,106	1,687,587
1945	1,060,942	1,824,811
1946	1,195,046	1,816,781
1947	1,248,390	2,059,644
1948	1,500,000	2,178,000

In his evidence, Mr. McLean commented upon this as follows:*

> '. . . at the end of each year when the profits have been ascertained, if the profits were more than a reasonable return on the capital invested in the company, our practice was and is to set aside a reasonable return on the investment and then divide the difference between the shareholders and the employees of the company. I believe that Canada Packers, on that profit-sharing and bonus-plan, has paid much larger sums of money than any other company - or at any rate any other company of which I know in Canada. You will notice that the sums paid to employees amount to $10,113,000. Those are bonuses paid over and above the regular wages, paid at the end of the year after the profits were ascertained.'

The importance of bonuses to employees in relation to the profits of the Company was again referred to by J.S. McLean, President of Canada Packers, in an address prepared for sales conferences held in various cities in April, 1953. A copy of this address reads in part as follows:

> 'In that year [1936] the first dividend was paid, and at the same time was begun the practice of sharing profits with employees.
>
> (I pause for a moment to say that Canada Packers' policy from the beginning has been to maintain normal wages and salaries at least on a level equivalent to the highest paid elsewhere in the Industry. In other words, if no bonus were paid, the income of Canada Packers' employees of all ranks would be at least equivalent to that received by corresponding ranks in competing

---

* Ibid, p. 2165.

companies. The bonus is definitely over and above this basis).

I place before you now Table V, setting up profits year by year since 1936, and showing how those profits have been divided.

. . .

[For the years 1936 to 1948 inclusive, this table provides figures comparable to those referred to above. Figures for subsequent years may be adapted as follows:

Year	Bonuses	Net Profit
1949	$1,040,000	$2,807,237
1950	1,500,000	3,480,212
1951	1,800,000	4,126,013
1952	-	1,964,545
1953	1,700,000	4,400,598]

I don't wish to give you the impression that there is any special benevolence in the large share of profits allocated to employees. I believe that bonuses and pensions are both good business. What I do wish you to know is that the motive behind this scale of division is a recognition of the fact that the most important asset in any business is the human asset. I mean the skill and loyalty and experience of the men and women whose working lives are spent in its service.

However, I do wish you to realize this. I believe no other company in Canada approaches the scale on which Canada Packers shares its profits with its people. . . .

. . .'

(Exhibit EKB 203A-226I)"

(Statement, pp. 645-46)

Up to 1956 profits of subsidiaries of Canada Packers were only partly incorporated in the Company's consolidated statement of income, some of the profits being retained by the subsidiaries and only some being paid out as dividends.

The fourth reason why the Director did not consider that the published figures for Canada Packers state fully the earnings

of the Company is that various liquid reserves have been set up which have not been reflected in the net income in the annual financial statements.

In its Statement of Position Canada Packers did not dispute that profits of subsidiaries and unused reserves should be taken into account in calculating the earnings of the Company. While it took issue with any suggestion that depreciation charged has been excessive and that deductions on account of the profit sharing plan are not a proper charge against income, the Company recast its financial statements to include the items under the four heads listed above. On the basis of the published figures the Director calculated that the rate of return on the average capital employed for the period 1927 to 1957 averaged over 11 per cent. It was submitted by Canada Packers that the precise percentage is 11.9 per cent and that after consolidating the figures on the basis indicated above the rate of return, taking into account the four classes of adjustments, was 11.7 per cent for the same period and 11.4 per cent if the period is extended to include 1958 and 1959 (Hearing, p. 2087). The figures for average capital employed and net profit as compiled by the Director and the Company are shown in Table 82.

Table 82

Canada Packers Limited - Average Capital Employed and Net Profit, Fiscal Years Ending March, 1928-59

		Statement of Evidence			Consolidated Figures Submitted by Canada Packers		
Fiscal Year Ending		Average Capital Employed $	Net Profit[a] $	Rate of Return %	Average Capital Employed $	Net Profit[a] $	Rate of Return %
Mar. 28,	1928	16,493,425	1,350,497	13.10	16,761,853	1,688,535	16.1
Mar. 27,	1929	18,371,084	2,045,966	11.14	19,152,022	2,799,675	14.6
Mar. 27,	1930	18,705,665	2,047,286	10.94	19,725,361	2,035,848	10.3
Mar. 26,	1931	17,735,351	1,243,776	7.01	18,842,517	1,456,630	7.7
Mar. 31,	1932	16,915,455	699,892	4.14	18,284,974	1,089,010	6.0
Mar. 30,	1933	16,659,399	907,736	5.45	18,101,029	712,841	3.9
Mar. 29,	1934	16,659,415	1,712,684	10.28	18,205,829	2,330,478	12.8
Mar. 28,	1935	14,702,960	1,467,984	9.98	16,852,406	2,517,364	14.9
Mar. 26,	1936	12,782,910	1,337,769	10.47	15,785,472	2,828,823	17.9
Mar. 25,	1937	12,885,025	1,735,772	13.47	16,711,808	2,796,515	16.7
Mar. 31,	1938	12,725,554	1,301,204	10.23	17,277,448	2,043,238	11.8
Mar. 30,	1939	12,483,048	1,404,869	11.25	17,649,847	2,107,726	11.9
Mar. 28,	1940	12,486,321	1,763,375	14.12	18,550,336	3,453,821	18.6
Mar. 27,	1941	12,497,740	1,624,853	13.00	19,636,173	2,649,614	13.5
Mar. 26,	1942	12,480,986	1,662,765	13.32	21,093,571	3,891,103	18.4
Mar. 25,	1943	12,702,511	1,644,070	12.94	22,957,166	3,024,075	13.2
Mar. 30,	1944	12,988,216	1,361,427	10.48	24,780,557	3,756,113	15.2
Mar. 29,	1945	13,567,552	1,274,811	9.40	27,583,064	4,634,907	16.8
Mar. 28,	1946	14,493,395	1,816,781	12.54	30,660,561	3,860,231	12.6
Mar. 27,	1947	15,489,636	2,059,644	13.30	33,325,288	4,483,059	13.5
Mar. 31,	1948	18,160,608	2,214,459	12.19	38,434,742	4,439,205	11.5
Mar. 30,	1949	21,889,127	2,909,159	12.29	44,173,963	4,407,145	10.0
Mar. 29,	1950	22,041,603	3,565,905	16.18	43,995,959	5,109,650	11.6
Mar. 28,	1951	21,744,715	4,126,013	18.97	43,732,857	6,702,660	15.3
Mar. 26,	1952	22,989,994	1,964,545	8.55	45,270,755	1,061,644	2.3
Mar. 25,	1953	24,372,566	4,400,598	18.06	47,049,337	6,468,690	13.7
Mar. 31,	1954	28,555,355	3,702,020	12.96	50,491,428	5,048,298	10.0
Mar. 30,	1955	32,501,487	3,716,652	11.44	53,276,371	5,051,505	9.5
Mar. 28,	1956	35,082,452	4,745,533	13.53	56,601,063	6,290,295	11.1
Mar. 27,	1957	37,872,704	4,506,506	11.90	59,767,947	5,380,643	9.0
Mar. 26,	1958				62,902,978	6,431,708	10.2
Mar. 25,	1959				66,200,750	5,699,141	8.6

(a) Including interest.

Sources: The Financial Post Survey of Corporate Securities, 1930, 1932, 1934, 1937, 1939, 1942, 1945, 1948; The Financial Post Survey of Industrials, 1951, 1954, 1957, 1958; Exhibit H-197.

The adjustments made by Canada Packers in preparing the consolidated figures shown above will be found in Tables V and VI in the Appendix. These adjustments are described in Exhibit H-197 as follows:

"Adjustments made to Earnings Records of Canada Packers Limited reported in the Statement of Evidence:

1. From partial consolidation to full consolidation.

2. Depreciation written and not allowed for tax purposes added to income.

3. Repairs disallowed for tax purposes added to income.

4. Depreciation allowed for tax purposes on disallowed repairs deducted from income.

5. Inventory reserves ($6,000,000.) added to income.

6. Other reserves ($2,000,000.) added to income.

7. Adjustments made to income for income tax.

8. Bonus (net after income tax) was added to income."

Table VII in the Appendix is a consolidated balance sheet incorporating the adjustments shown in Appendix Tables V and VI.

It will be seen from Table 82 above that the general effect of making the adjustments for earnings of subsidiary companies, bonuses, depreciation charges and special reserves is to raise the rate of return in most years from 1928 to 1946, whereas for the remainder of the period the rate of return is lowered on the adjusted basis.

The Statement of Evidence contains a number of tables comparing the earnings of Canada Packers with the earnings of companies in the meat packing industry in the United States. The data presented related to earnings of individual companies, to companies grouped by size and to the industry as a whole. The following table from the Statement of Evidence presents the meat packing industry figures for the United States and those for Canada Packers. The figures for Canada Packers are those contained in the published financial statements without the adjustments discussed above.

Table 83

Comparison of Profit to Sales in the Packing Industry in the United States and Canada, Eight Large United States Packers and Canada Packers Limited, 1949-59

Eight Large U.S. Packers[a]

Year	Sales (000's Dollars)	Net Income After Taxes (000's Dollars)	Per Cent
1949	6,203,837	29,552	0.48
1950	6,225,542	47,983	0.77
1951	7,200,829	40,918	0.57
1952	7,045,159	25,302	0.36
1953	7,005,710	53,574	0.76
1954	6,938,593	21,364	0.31
1955	6,591,484	51,752	0.79

Canada Packers Limited[b]

Fiscal Year (ending in March)	Sales (000's Dollars)	Net Income After Taxes (000's Dollars)	Per Cent
1949	322,694	2,807	0.87
1950	336,389	3,480	1.03
1951	365,234	4,126	1.13
1952	399,247	1,965	0.49
1953	394,841	4,401	1.11
1954	385,370	3,702	0.96
1955	374,256	3,717	0.99
1956	392,232	4,232	1.08
1956[c]	434,221	4,746	1.09
1957[c]	467,187	4,507	0.96
1958[c]	486,122	4,973	1.02
1959[c]	541,416	4,735	0.87

Sources: (a) Based on a table appearing in Pork Marketing Margins and Costs, published by the Agricultural Marketing Service of the United States Department of Agriculture in April 1956.

(b) Canada Packers Limited, Return of Information dated October 12, 1956.

(c) The Financial Post Survey of Industrials. Figures represent consolidated accounts of parent company and all subsidiaries. Prior to 1956 figures represent consolidated accounts of companies engaged primarily in packinghouse operations only.

Canada Packers filed with the Commission tables comparing the earnings of the Company since 1935 with the eight largest United States meat packers. These companies and their net sales in 1958 are listed below:

Name of Company	Net Sales (000's Dollars)
Armour and Company	1,850,439
The Cudahy Packing Co.	369,017
Geo. A. Hormel & Company	360,960
Oscar Mayer & Co. Inc.	260,234
John Morrell & Co.	401,685
The Rath Packing Co.	301,471
Swift and Company	2,645,389
Wilson & Co. Inc.	683,671

Source: Fortune Directory of the 500 Largest U.S. Industrial Corporations.

The manner in which Canada Packers compiled the comparative figures to show (a) return as a percentage of total assets employed and (b) return as a percentage of sales is described in Exhibit H-196 as follows:

> "Because some of the companies are engaged in a good many different businesses and their profit and loss statements and balance sheets are not available on a fully consolidated basis, the comparison is difficult. We have used the following principles in calculating the figures for this comparison.
>
> (1) All profits are before income tax,
>
> (2) To whatever extent possible, we have tried to include only operating profit. That is, we have deducted from the total published profit such items as dividends from subsidiaries whose assets are not consolidated in the balance sheet, profit on disposal of fixed assets, and other items of non-operating profit which can be determined from the published financial statements.
>
> (3) Wherever reserves are set up which could have been taken into profit, we have shown them in profit. This, of course, is only possible where the reserves are clearly shown on the balance sheet and there may be items of this sort which cannot be determined from the published statements.

(4) To calculate return on total assets employed the return consists of the profit before income tax plus interest on long-term debt.

(5) In calculating the total assets employed, we have used the value of fixed assets after deducting accumulated depreciation.

(6) In calculating the total assets employed, we have deducted from the asset side of the balance sheet investments in securities, investments in subsidiary companies which are not consolidated in the profit and loss statement, and any other assets which clearly are not related to the main business on which the operating profit was earned.

(7) In the case of Canada Packers, the figures are shown on two bases:

(a) According to the published annual financial statements, but adjusted to take all reserves into profit in the year concerned and to exclude dividends from subsidiaries not consolidated in the balance sheet, - that is, according to Canada Packers' financial statements with exactly the same type of adjustments as made for the other companies.

(b) Canada Packers' fully consolidated profit and loss statement and balance sheet for all the years concerned taking account of the total sales, total profit and total assets for Canada Packers and all of its subsidiaries, and including in profit all reserves in the years in which they were set up.

. . .

Each Table also shows the weighted average results for the nine companies for the twenty-four year period under consideration. The last column in each Table shows the position in which Canada Packers ranks among the nine companies, for each year."

Table 84

Return[a] (Adjusted Net Income) as Percentage of Total Assets Employed, 1935-58

Year	Oscar Mayer	Hormel	Rath	Canada Packers[b]	Canada Packers[c]	Wilson	Swift	Armour	Morrell	Cudahy	Rank of Canada Packers
1935	-	5.9	1.1	11.8	11.7	7.0	8.0	4.9	2.1	2.8	1
1936	-	8.4	12.0	8.6	8.7	5.5	4.5	5.3	2.9	3.9	2
1937	-	7.2	6.0	6.2	5.9	4.1	2.7	4.6	(2.6)	(1.1)	2
1938	-	10.1	15.4	7.1	7.1	1.0	(1.2)	.8	4.7	(2.6)	3
1939	-	15.5	22.2	12.5	12.6	5.7	4.6	3.9	9.6	3.5	3
1940	-	13.6	19.6	11.7	11.5	6.6	5.0	5.0	8.3	5.6	3
1941	-	10.6	20.7	15.9	16.0	10.7	9.2	8.0	6.7	9.3	2
1942	-	15.4	20.4	10.8	11.3	12.9	13.7	7.8	6.5	11.5	6
1943	-	21.4	19.4	14.1	14.5	13.3	14.4	11.7	6.8	16.6	4
1944	13.8	22.2	19.8	17.2	17.9	15.0	20.3	13.9	18.6	17.1	5
1945	3.0	10.6	3.9	14.1	15.5	10.2	8.2	6.9	3.1	11.2	1
1946	24.8	22.7	15.3	11.2	13.3	17.2	8.1	17.7	12.8	27.1	7
1947	14.9	20.8	17.8	10.3	11.1	19.7	16.7	14.4	11.7	14.3	9
1948	33.6	18.9	7.1	11.3	11.4	8.4	16.6	.1	9.4	1.0	4
1949	14.0	8.2	10.0	17.0	16.3	4.7	12.6	1.0	.2	(6.8)	1
1950	18.2	10.1	10.2	14.0	14.0	5.0	5.8	8.4	3.8	5.8	2
1951	19.7	11.3	8.5	5.4	3.7	5.1	6.0	7.9	7.6	3.0	7
1952	10.8	10.0	6.2	14.4	14.2	3.0	8.9	3.8	.3	(6.7)	1
1953	9.4	12.5	9.8	11.9	10.6	4.1	14.2	5.8	2.1	1.7	3
1954	15.5	6.7	7.9	10.5	10.1	4.0	7.3	1.5	1.3	(8.0)	2
1955	26.4	14.9	13.7	11.6	11.6	8.0	7.3	6.0	11.1	5.5	4
1956	28.6	18.6	16.8	9.2	9.2	12.3	3.6	6.8	10.3	10.2	7
1957	18.9	11.7	6.0	9.9	9.9	7.3	3.1	2.0	2.3	4.1	3
1958	18.0	10.3	5.4	9.8	9.8	11.4	2.9	3.3	7.1	4.8	4
weighted average	18.6	13.0	11.4	11.3	11.3	8.5	8.3	6.2	6.1	5.1	4

(a) Before taxes.
(b) Per published statements) Adjusted as for other companies and reserves.
(c) Fully consolidated)

Source: Published financial statements with adjustments.

(Exhibit H-196)

Table 85

Return[a] (Adjusted Net Income) as Percentage of Sales, 1935-58

Year	Oscar Mayer	Canada Packers[b]	Canada Packers[c]	Hormel	Rath	Wilson	Swift	Armour	Morrell	Cudahy	Rank of Canada Packers
1935	-	3.7	3.6	1.6	.3	2.0	2.2	1.6	.7	.7	1
1936	-	2.5	2.4	1.9	2.8	1.4	1.3	1.7	.9	1.0	2
1937	-	1.6	1.5	1.5	1.3	1.0	.6	1.4	(.8)	(.8)	1
1938	-	2.0	2.0	2.2	3.4	-	(.6)	(.1)	1.4	(1.6)	3
1939	-	3.4	3.5	3.4	4.9	1.6	1.4	1.2	2.8	.8	2
1940	-	2.9	2.9	3.2	4.6	1.8	1.5	1.6	2.4	1.2	3
1941	-	3.7	3.7	2.1	4.3	2.7	2.3	2.4	1.8	1.8	2
1942	-	2.3	2.5	2.1	3.3	2.8	3.0	1.9	1.2	1.9	4
1943	-	2.5	2.6	3.1	3.3	3.1	3.0	2.7	1.2	2.6	6
1944	1.6	2.7	2.9	3.7	3.7	3.5	3.9	2.9	3.7	2.8	6
1945	.4	2.2	2.6	2.0	.8	2.5	1.7	1.2	.6	2.1	1
1946	3.9	1.9	2.4	3.7	3.4	4.2	1.6	4.3	2.5	5.6	8
1947	1.8	1.9	2.2	2.3	2.2	3.2	2.3	2.6	1.5	2.1	5
1948	4.2	1.7	1.8	2.2	1.1	1.6	2.6	(.1)	1.4	.1	4
1949	2.2	2.4	2.5	1.2	1.5	.9	2.2	-	-	(1.3)	1
1950	3.0	2.4	2.5	1.5	1.6	1.0	1.0	1.6	.5	.8	2
1951	3.2	1.0	.7	1.6	1.3	1.0	1.0	1.4	1.1	.4	6
1952	1.7	2.4	2.4	1.5	.9	.6	1.5	.6	(.1)	(1.2)	1
1953	1.6	2.0	1.9	1.9	1.4	.7	2.6	1.1	.3	.2	2
1954	2.8	1.8	1.9	1.0	1.1	.7	1.4	.1	.1	(1.4)	2
1955	5.2	2.1	2.1	2.2	2.2	1.4	1.5	1.0	1.7	.9	4
1956	5.7	1.7	1.7	3.0	2.8	2.2	.7	1.2	1.6	1.8	6
1957	3.5	1.9	1.9	1.8	.9	1.2	.6	.1	.2	.6	2
1958	3.3	1.7	1.7	1.6	.8	1.9	.6	.4	.9	.7	3
weighted average	3.1	2.1	2.1	2.0	1.9	1.7	1.7	1.2	1.0	.9	2

(a) Before taxes.
(b) Per published statements) Adjusted as for other companies and for reserves.
(c) Fully consolidated)

Source: Published financial statements, with adjustments.

(Exhibit H-196)

On the basis of the comparative figures in Tables 84 and 85 Canada Packers ranks fourth in the comparison of weighted net income as percentage of total assets and second in the comparison as a percentage of sales. It will be noted that on both bases the earnings of Canada Packers as percentages substantially exceed the rates for the four largest United States packers, namely, Swifts, Armour, Wilson and Cudahy.

The tendency for the rate of earnings of the largest meat packers in the United States to be lower than that for other segments of the industry has been noted in the United States for a considerable period. The following table is given in the study by Dr. Whitney.[1]

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1 Simon N. Whitney, Antitrust Policies - American Experience in Twenty Industries, The Twentieth Century Fund, New York, 1958, p. 69.

Table 86

United States Meat Packing: Earnings by Size Groups, 1929-47 and 1949-54

(Percentage Return on Net Worth: Average of Annual Figures)

Net Worth (millions)	1929-45	1930-34	1946-47	Sales Volume (millions)	Number of Companies in 1954	1949-54
Under $1	6.0	.7	29.6	Under $1.5	18	8.6
$1-$4	4.4	.9	19.8	$1.5-$3	10	6.9
$4-$20	5.5	2.9	15.6	$3-$15	27	8.3
Over $20	4.3	2.0	12.8	Over $15	26	4.9

Sources: 1929-47 from figures collected by Packers and Stockyards Division, U.S. Department of Agriculture, grouped in W.E. Hoadley, Jr., E. Baughman and W.P. Mors, A Financial and Economic Survey of the Meat Packing Industry, Research Department, Federal Reserve Bank of Chicago, 1946, p. 19, and ibid., Supplement, 1948, p. 8; 1949-54 calculated from packers' financial statements tabulated in George M. Lewis and J. Russell Ives, Financial Results of the Meat Packing Industry, 1954, American Meat Institute, Chicago, p. 29.

Financial returns are available for only a limited number of meat packing companies in Canada. Figures for eight companies, including Canada Packers, are given in the Statement of Evidence, from which the following tables are taken:

Table 87

Earnings (after Taxes) of Eight Canadian Meat Packers as Percentage of Capital Employed, Available Years from 1935 to 1955

(000's Dollars)

Year[3]	Canada Packers Limited[1] Capital Employed[4]	Canada Packers Limited[1] Net Income[5]	Canada Packers Limited[1] %	Swift Canadian Co. Limited Capital Employed	Swift Canadian Co. Limited Net Income	Swift Canadian Co. Limited %	Burns & Co. Limited[2] Capital Employed	Burns & Co. Limited[2] Net Income	Burns & Co. Limited[2] %	Wilsil Limited Capital Employed	Wilsil Limited Net Income	Wilsil Limited %
1935	12,858	1,338	10.4	11,741	1,073	9.1	10,393	522	5.0	1,672	224	13.4
1936	12,912	1,736	13.4	13,032	1,290	9.9	10,539	539	5.1	1,805	220	12.2
1937	12,539	1,301	10.4	13,542	511	3.8	10,543	367	3.5	1,992	229	11.5
1938	12,427	1,405	11.3	13,399	-143	-1.1	10,145	-217	-2.1	1,912	232	12.1
1939	12,545	1,763	14.1	14,983	186	1.2	10,062	198	2.0	2,076	300	14.5
1940	12,450	1,625	13.1	15,373	848	5.5	9,989	256	2.6	2,156	233	10.8
1941	12,512	1,663	13.3	17,181	1,533	8.9	9,953	443	4.5	2,213	255	11.5
1942	12,893	1,644	12.8	18,305	1,892	10.3	10,110	668	6.6	2,260	220	9.7
1943	13,083	1,361	10.4	18,797	1,143	6.1	10,333	643	6.2	2,309	220	9.5
1944	14,052	1,275	9.1	19,238	1,101	5.7	10,433	867	8.3	2,381	243	10.2
1945	14,935	1,817	12.2	19,892	1,254	6.3	9,380	765	8.2	2,477	267	10.8
1946	16,044	2,060	12.8	20,821	1,649	7.9	9,537	627	6.6	2,920	679	23.3
1947	20,277	2,214	10.9	21,432	1,210	5.6	9,993	955	9.6	3,111	411	13.2
1948	23,501	2,909	12.4	24,426	2,994	12.3	10,624	1,160	10.9	3,404	608	17.9
1949	20,582	3,566	17.3	25,726	1,300	5.1	11,416	1,332	11.7	3,457	176	5.1
1950	22,908	4,126	18.0	26,380	1,254	4.8	13,327	1,338	10.0	3,557	214	6.0
1951	23,072	1,965	8.5	25,824	44	0.2	13,561	858	6.3	3,585	189	5.3
1952	25,673	4,401	17.1	27,919	2,095	7.5	13,982	1,030	7.4	3,657	235	6.4
1953	31,438	3,702	11.8	30,391	2,472	8.1	14,554	1,234	8.5	3,525	25	0.7
1954	33,565	3,717	11.1	29,033	642	2.2	14,632	826	5.6	3,254	-149	-4.6
1955	36,600	4,746	13.0	27,711	1,428	5.2	19,250	2,238	11.6	(Acquired by Canada Packers)		

Year	Essex Packers Limited Capital Employed	Essex Packers Limited Net Income	Essex Packers Limited %	Dumarts Limited Capital Employed	Dumarts Limited Net Income	Dumarts Limited %	Modern Packers Limited[6] Capital Employed	Modern Packers Limited[6] Net Income	Modern Packers Limited[6] %	Calgary Packers Limited[7] Capital Employed	Calgary Packers Limited[7] Net Income	Calgary Packers Limited[7] %
1935				259	15	5.8						
1936				257	22	8.6						
1937				241	17	7.1						
1938				291	57	19.6						
1939				417	68	16.3	104	4	3.8			
1940				452	56	12.4	106	1	0.9			
1941				(Acquired by Burns)			129	23	17.8			
1942							226	22	9.7			
1943							247	21	8.5			
1944							324	52	16.0			
1945							368	43	11.7			
1946							417	48	11.5			
1947	1,263	75	5.9				491	73	14.9			
1948	1,137	-97	-8.5				572	80	14.0			
1949	1,128	-51	-4.5				637	65	10.2			
1950	1,152	4	0.3				652	76	11.7	283	63	22.3
1951	1,429	64	4.5				716	52	7.3	334	63	18.9
1952	1,389	70	5.0				554	175	31.6	368	66	17.9
1953	1,418	83	5.9				871	316	36.3	415	70	16.9
1954	1,429	94	6.6				1,344	468	34.8	497	91	18.3
1955	1,470	83	5.6				(Acquired by Burns)			(Acquired by Canada Packers)		

(For sources and footnotes see Table 88)

Table 88

Earnings (after Taxes) of Eight Canadian Meat Packers as Percentage of Sales, Available Years from 1935 to 1955

(000's Dollars)

Year	Canada Packers Limited Sales	Canada Packers Limited Net Income	Canada Packers Limited %	Swift Canadian Co. Ltd. Sales	Swift Canadian Co. Ltd. Net Income	Swift Canadian Co. Ltd. %	Burns & Co. Limited Sales	Burns & Co. Limited Net Income	Burns & Co. Limited %	Wilsil Limited Sales	Wilsil Limited Net Income	Wilsil Limited %
1935	66,738	1,338	2.0	33,293	1,073	3.2				6,672	224	3.4
1936	72,700	1,736	2.4	37,270	1,290	3.5				7,986	220	2.8
1937	84,146	1,301	1.6	41,010	511	1.3				8,598	229	2.7
1938	77,226	1,405	1.8	38,408	-143	-0.4				8,130	232	2.9
1939	91,913	1,763	1.9	44,985	186	0.4				8,993	300	3.3
1940	114,630	1,625	1.4	59,406	848	1.4				10,172	233	2.3
1941	149,351	1,663	1.1	72,534	1,533	2.1				11,942	255	2.1
1942	174,667	1,644	0.9	89,197	1,892	2.1				13,330	220	1.7
1943	212,844	1,361	0.6	101,843	1,143	1.1	73,396[8]	643	0.9	13,495	220	1.6
1944	228,398	1,275	0.6	125,101	1,101	0.9	93,213	867	0.9	16,289	243	1.5
1945	208,998	1,817	0.9	117,510	1,254	1.1	81,446	765	0.9	14,884	267	1.8
1946	204,069	2,060	1.0	103,962	1,649	1.6	67,543	627	0.9	15,318	679	4.4
1947	238,454	2,214	0.9	106,670	1,210	1.1	64,242	955	1.5	15,797	411	2.6
1948	314,919	2,909	0.9	157,660	2,994	1.9	87,469	1,160	1.3	25,452	608	2.4
1949	327,671	3,566	1.1	153,056	1,300	0.9	80,714	1,332	1.7	25,832	176	0.7
1950	356,826	4,126	1.2	154,550	1,254	0.8	98,512	1,338	1.4	28,541	214	0.7
1951	390,514	1,965	0.5	184,777	44	0.02	112,928	858	0.8	33,505	189	0.6
1952	385,986	4,401	1.1	179,729	2,095	1.2	110,580	1,030	0.9	34,638	235	0.7
1953	374,473	3,702	1.0	174,085	2,472	1.4	109,934	1,234	1.1	26,966	25	0.1
1954	363,551	3,717	1.0	164,611	642	0.4	107,803	826	0.8	25,357	-149	-0.6
1955	434,221	4,746	1.1	160,420	1,428	0.9	122,001	2,238	1.8	(Acquired by Canada Packers)		

Year	Essex Packers Limited Sales	Essex Packers Limited Net Income	Essex Packers Limited %	Dumarts Limited Sales	Dumarts Limited Net Income	Dumarts Limited %	Modern Packers Limited Sales	Modern Packers Limited Net Income	Modern Packers Limited %	Calgary Packers Limited Sales	Calgary Packers Limited Net Income	Calgary Packers Limited %
1935	(Sales not published)			2,602	15	0.6						
1936				3,117	22	0.7						
1937				3,649	17	0.5						
1938				3,788	57	1.5						
1939				3,750	68	1.8	3,036	4	0.1			
1940				5,672	56	1.0	2,784	1	0.03			
1941				(Acquired by Burns)			3,730	23	0.6			
1942							4,506	22	0.5			
1943							5,437	21	0.4			
1944							5,565	52	0.9			
1945							5,752	43	0.7			
1946							6,561	48	0.7			
1947							7,373	73	1.0			
1948							11,144	80	0.7			
1949							12,215	65	0.5			
1950							14,796	76	0.5	3,274	63	1.9
1951							15,601	52	0.3	5,704	63	1.1
1952							15,801	175	1.1	6,925	66	1.0
1953							16,692	316	1.9	6,741	70	1.0
1954							18,374	468	2.5	8,506	91	1.1
1955							(Acquired by Burns)			(Acquired by Canada Packers)		

[See next page for Sources and Footnotes]

Sources:

Canada Packers Limited

Financial Post Survey of Corporate Securities (or Industrials). 1935 to 1940, 1942, 1945 to 1957; Return of Information dated October 12, 1956.

Swift Canadian Co. Limited

Financial Statements included with Return of Information dated September 27, 1956.

Burns & Co. Limited

Financial Statements included with Return of Information dated October 2, 1956.

Wilsil Limited

Return of Information dated October 5, 1956.

Essex Packers Limited

Financial Post Survey of Corporate Securities (or Industrials) 1948, 1951, 1954 and 1957.

Dumarts Limited

Financial Statements included with Return of Information dated October 2, 1956 made by Burns & Co. (Eastern) Limited,

Modern Packers Limited

Return of Information dated October 2, 1956.

Calgary Packers Limited

Pro forma financial statements included with Return of Information dated January 31, 1957 made by Canada Packers Limited and with Return of Information dated February 11, 1957 made by Collins & Hames, Chartered Accountants, on behalf of Messrs. M. and S. Katchen.

Footnotes:

1. For Canada Packers the information is the same as that recorded in Table 82 except that capital employed at the end of the period, rather than the average capital is used. It will be recalled that except for the year 1955 these figures are not consolidated but include only Canada Packers Limited and its United States subsidiaries - Canada Packers Inc., New York and California, Wm. Davies Co. Inc. and Shur-Gain Inc. The 1955 figures include the parent company and all subsidiaries.

2. For Burns & Co. Limited, the information relates only to the parent company up to 1949. From 1950 to 1954 inclusive, Burns & Co. Limited and Burns & Co. (Eastern) Limited are consolidated. In 1955, Burns & Co. Limited and all subsidiaries in the meat-packing business are consolidated.

3. For each company the fiscal year is used which most closely approximates the calendar year.

4. Capital Employed in all cases includes capital stock and surplus, and all long term liabilities, and reserves later transferred to surplus or otherwise not drawn upon.

5. Net Income in all cases includes net profit after depreciation and all taxes, plus interest on funded debt where applicable, plus credits where applicable to such reserves as were later transferred to surplus or were never drawn upon.

6. The business of Modern Packers Limited was carried on by a partnership for a period before incorporation on April 6, 1939.

7. Although Calgary Packers Limited was not incorporated until January 1, 1955, pro forma financial statements were prepared by Collins & Hames, Auditors for the predecessor partnership, presenting the financial statements of the partnership as if the business had been on a corporate basis for the years 1950 to 1954. (Canada Packers Limited, Return of Information dated December 31, 1956).

8. Sales calculated from a percentage figure published in the financial statements for 1944.

(Statement, pp. 713-15)

Canada Packers filed as an exhibit a table comparing the rate of earnings of the Company with the rate of earnings of other firms classified in the slaughtering and meat packing industry in Taxation Statistics published by the Department of National Revenue and with the rate of earnings of Canadian manufacturing companies generally.

Table 89

Earnings[(a)] of Canada Packers Limited, Other Slaughtering and Meat Packing Firms and Canadian Manufacturing Industries as Percentage of Assets[(b)], 1948-57

Taxation Year	(1) Canada Packers Limited	(2) Slaughtering and Meat Packing	(3) Manufacturing
1948	10.3	13.9	16.6
1949	10.9	4.9	14.8
1950	15.2	6.7	17.4
1951	11.1	4.8	17.4
1952	3.6	11.6	14.5
1953	15.9	13.2	12.9
1954	12.1	7.7	10.0
1955	10.8	9.7	12.2
1956	11.4	9.3	11.6
1957	9.3	9.6	9.7
	10.9	9.2	13.1

(a) Income - Taxable income for the year before application of carry-forward losses,
plus - interest paid on bonds and mortgages,
minus - bond interest received
- foreign dividends received.

(b) Assets - Total assets
minus - depreciation reserves
- investments in government and other securities
- investments in affiliated companies.

Sources: (1) Canada Packers Limited and its Canadian packinghouse subsidiaries - Dominion income tax returns and audited financial statements.

(2) Slaughtering and Meat Packing - taxation statistics after deducting (1). Number of companies ranges from 80 in 1948 to 183 in 1957.

(3) Manufacturing - taxation statistics after deducting (1). Number of companies ranges from 9,587 in 1948 to 15,105 in 1957.

(Exhibit H-195)

CHAPTER XXI

APPRAISAL OF EVIDENCE AND CONSIDERATION OF PUBLIC INTEREST

1. Concentration in Meat Packing Industry

The meat packing industry in Canada is characterized by wide variations in the scale on which units in the industry operate. On the one hand there are the three "national" meat packers, with plants whose operations extend more or less across the country, and at the other extreme are the numerous local slaughtering establishments which operate on a very small scale, serving in the main rural areas and small centres of population and supplying a minor part of the total market. Between the two extremes there are in each market area a relatively small number of operators of medium size which are in competition with the national packers in the principal markets.

Meat is one of the major food items and is considered essential at any level of income. While the types and varieties of meat consumed may tend to vary somewhat at different levels of incomes the over-all consumption of meat is relatively stable from year to year. There is some indication that as national income rises the consumption of high protein foods like meat and eggs increases, but this would occur in the long run.

In the short run the marketing of meat products is carried on with a relatively stable total demand from consumers which means that minor price changes are unlikely to lead to major shifts in buying, although large price changes may result in a shift in demand from one type of meat product to another.

The stable demand of consumers for meats and their relative insensitivity to minor price changes means that changes in supplies of livestock coming on the market are likely to lead to large fluctuations in prices. The situation in Canada may also be affected by opportunities for the export of meat products or livestock and by the availability of imports. The variations in the supplies of livestock are large and may sometimes result from natural phenomena such as weather or season or the independent decision making of

a large number of producers. The latter is largely based on price expectations for future markets so that anticipation of high prices will tend to induce an optimistic outlook which may lead to a volume of production which consumers will not purchase except at a relatively lower price, while the reverse situation may occur in anticipation of low prices. As the evidence in the inquiry shows, price changes are frequent. Sometimes they occur day to day or week to week, and superimposed on the immediate fluctuations may be longer-term movements. The evidence also shows that while regional markets are closely related, the problem exists of moving supplies from surplus to deficiency areas, and conditions, such as the local weather, which may interfere with normal marketing, may lead to short-run divergences.

In the meat packing industry the fluctuations in supply and price lead to two main problems. The first is the maintenance of efficiency in plant operations with a variable flow of livestock for slaughter. In this connection the evidence will be recalled which showed the great emphasis which Canada Packers puts on maintaining the flow of livestock to its plants and the reluctance with which the scale of slaughtering was reduced even in periods of unprofitable operations of certain departments. The second is the uncertainty of gains or losses on inventory resulting from changes in prices which may occur between the time of purchase of livestock and the sale of the processed product.

Another feature which plays a major part in the operations of the meat packing industry is the perishability of the product. The great bulk of meat production is sold in fresh form and must be moved into consumption within a short period after production if spoilage is to be avoided. While some production may be stored for later sale, the cost of storage is an added expense and the operation will be profitable only if this cost along with the cost of the product itself can be recovered when a sale is made. The pressure to move supplies of meat before they spoil exists at all levels of the trade in meat, including retail outlets. Retailers of meat must keep abreast of price changes and under the system of "trading" by salesmen which most packers use slight differences in selling prices of competitors must be closely followed by all suppliers in a market if sales are to be maintained.

It is apparent from the evidence given to the Commission that certain cost-saving devices, including some degree of mechanization and specialization in operations, may be economically employed in plants of sufficient scale and thus lead to lower unit costs than in smaller plants. No exact comparisons were given to the Commission as to unit costs in meat packing plants of various sizes but it was indicated that in the slaughtering of cattle a plant in which at least 700 animals were killed per week would be about the

minimum size for the most modern mechanized operation (Hearing, p. 2099). No estimate was given with respect to the slaughter of hogs but it was indicated that the most modern machinery for the preparation and packing of bacon could only be employed economically in a plant which has a weekly capacity equivalent to the product of 1500 hogs (Hearing, p. 2100).

The majority of the plants of the national packers would be classed as large scale plants in comparison with those of their competitors. In addition to the advantages which lie in the operation of large meat packing plants, the national packers are in a position to utilize by-products more intensively or to process them better for sale on the open market than the operators of small plants. The national packers also have larger financial resources and can engage more extensively in research than can small firms. It was also suggested in evidence that with large scale operations more highly trained supervisory staff may be employed but unit costs would not be higher than in small plants because the expense would be spread over a much larger proportionate output.

In addition to operating plants of relatively large size in different regions in Canada, the national packers differ from the single-plant firms by having wide distribution systems which embrace all, or practically all, regions. In this way the national packers can distribute on a country-wide basis a full line of meats and related products and can shift supplies readily from surplus to deficiency areas. Single-plant operators can also add to their own production by making purchases from other producers and brokers and wholesalers can arrange for the movement of supplies from one area to another, but there may be advantages if co-ordination of supply and demand can be accomplished by an integrated company operating on a national basis.

While it appears that certain economies of scale and advantages in organization are available to the national packers, there may be other advantages which can be secured by smaller packers. The economies of mechanized operations in killing may be secured by a small packer who has his livestock killed at a medium or large plant on a custom basis or who utilizes the facilities of a modern municipal abattoir. A small packer may also specialize in the production of certain lines of meat products rather than produce as broad a range as large packers. As the small packer is engaged in serving a local market he may be more flexible in his operations and thus able to adapt his scale of production and type of product more quickly to meet changes in local conditions or tastes. His ability to provide quick service and to buy livestock economically from local sources may also be of real advantage to him.

In the meat packing industry embracing such a diversity of

plants both in terms of scale of operations and range of products the three national packers appear to have maintained a stable position over a considerable number of years. Canada Packers relied on evidence which indicated that persons or firms engaged in slaughtering totalled more than 2,400 and, in addition, a minimum of 257 firms who do not slaughter are engaged in supplying the domestic market with fresh and processed meats. Canada Packers estimated that of the total commercial slaughter in Canada, it accounted for about 28 per cent, the other two national packers, Swift Canadian Co. Limited and Burns & Co. Limited for more than 25 per cent, 99 firms operating on a regional basis for about 27 per cent and over 2,000 other slaughterers for about 16 per cent. The remainder, about 4 per cent, was attributed to the output of farmer-slaughterers for sale on the commercial market.

The Director relied on figures for inspected slaughter and on figures reported in the Census of Industry of the Dominion Bureau of Statistics in arriving at the relative positions of individual companies or groups of firms in the meat packing industry. The figures for inspected slaughter are the only actual count of animals slaughtered but, of course, include only animals killed in inspected plants. The Census of Industry includes practically all the large firms in the meat packing industry but does not include the numerous local slaughter houses which operate on a very small scale. If the inspected slaughter remained a relatively constant proportion of total commercial slaughter the latter could be readily estimated from from current inspected slaughter figures. However, the tendency has been for an increasing proportion of slaughter to be done in inspected plants, which is brought about by a larger part of the total kill being handled in existing inspected plants, by uninspected plants becoming inspected plants and by the establishment of new inspected plants.

On the basis of the estimates of Canada Packers referred to above, over 53 per cent of the total commercial slaughter in Canada is accounted for by the three national packers. On the basis of returns made annually to the Census of Industry, the Director ascertained that the shares of the three largest meat packers did not change substantially between 1945 and 1954. In the case of cattle slaughterings the three largest packers accounted for 60 per cent or more of the total reported throughout the period. In the case of hogs the three largest firms accounted for 50 per cent or more.

Canada Packers furnished the Commission with estimates of the weekly kill in 1959 of all firms for which it could make a reasonable estimate. The firms for which estimates were given would approximate roughly those reporting to the Census of Industry, and the total kill would be less than the total commercial slaughter. On the basis of these estimates the three national packers accounted for more than 60 per cent of cattle slaughtered and more than 60

per cent of hogs slaughtered. Although these percentages are based on estimates, they appear consistent with the census data and indicate that the three national packers have maintained their share of cattle slaughter and have, perhaps, increased their share of hogs.

The formation of Canada Packers in 1927 merged the businesses of four of the largest meat packers operating 9 meat packing plants in Canada. Between 1927 and 1931 Canadian operations of Canada Packers were consolidated in 5 plants, located in Montreal, Hull, Peterborough, Toronto and Winnipeg. In 1936 Canada Packers built a plant at Edmonton and one at Vancouver in 1938. Some production was carried on at a branch at Moose Jaw commencing in 1945 and the branch was converted to a plant about 1953. In 1940 Frank Hunnisett Limited, Toronto, was acquired and the business continued as a meat packer. Davis & Fraser Limited, Charlottetown, was acquired in 1947 and a partially-burned plant was re-built. In 1954, a plant was leased from the City of Saint John, and in 1955 Wilsil Limited, Montreal and Calgary Packers Limited, Calgary were acquired.

The share of the meat packing industry which is accounted for by Canada Packers thus results from the operations of plants which formed part of the original merger in 1927 or were subsequently built, and from the operations of acquired plants. Canada Packers provided the Commission with output figures of all its meat packing plants from 1935 so that it is possible to arrive at the share of slaughter held by the Company since 1935 on the various bases which have been discussed, namely, inspected slaughter, total commercial slaughter and total slaughter. The latter is the sum of total commercial slaughter and farm slaughter for farm use. The shares of Canada Packers and subsidiaries of cattle slaughter and hog slaughter are shown in Table 90.

Table 90

Percentage Share of Canada Packers Limited and Canadian Subsidiaries of Inspected Slaughter, Total Commercial Slaughter and Total Slaughter, 1935-57

Years	Inspected Slaughter	Total Commercial Slaughter	Total Slaughter
		Cattle	
1935-39	39.5	(a)	25.6
1940-44	39.2	28.2 (b)	25.9
1945-49	35.1	28.3	26.2
1950-54	34.7	27.1	25.5
1955	39.2	30.9	28.9
1956	37.7	30.8	29.0
1957	37.1	30.2	28.4
		Hogs	
1935-39	29.7	(a)	19.5
1940-44	28.9	21.5 (b)	20.4
1945-49	27.7	19.2	17.6
1950-54	31.8	24.6	22.9
1955	32.1	27.0	25.7
1956	31.7	26.7	25.5
1957	30.6	24.7	23.4

(a) Not available.

(b) Four years 1941-44 only.

Sources: Exhibits H-44, H-47, H-62, H-70, Returns of Information of Canada Packers, and Dominion Bureau of Statistics, Livestock and Animal Products Statistics.

In the case of cattle slaughter, the percentages based on total slaughter or total commercial slaughter remain relatively stable from 1935 to 1954. The percentages based on inspected slaughter remain stable from 1935 to 1944 and then decline in the two five-year periods from 1945 to 1954. In each period, of course, there are year-to-year variations. The decline in the percentage of inspected slaughter while the percentage of total slaughter remained relatively constant may be a consequence of the increasing proportion of total slaughter accounted for by inspected plants. The output of the plants acquired in 1955 is a factor in the increased shares of Canada Packers in the years after 1954.

The relative position of Canada Packers with respect to hogs is somewhat similar to that described for cattle. One difference is a decline in the share of total slaughter in the period 1945-49 and an increase above the previous level in the subsequent 5-year period. The increased share also occurred with respect to inspected slaughter. The effect of the acquisitions in 1955 is shown in the share of total commercial slaughter after 1954 but in the case of inspected slaughter the increase in total output of Canada Packers' plants is offset by an increase in the proportion of total slaughter subject to inspection in 1955 and 1956.

The statistics furnished to the Commission by Canada Packers may also be relied on to show the shares of slaughter which are accounted for by the plants of the Company, not including those which have been acquired. Table 91 shows for such plants the percentage shares on the same bases as Table 90.

Table 91

Percentage Share of Inspected Slaughter, Total Commercial Slaughter and Total Slaughter Accounted for by Canada Packers Limited Plants at Toronto, Montreal, Hull, Peterborough, Winnipeg, Moose Jaw, Edmonton and Vancouver, 1935-57

Years	Inspected Slaughter	Total Commercial Slaughter	Total Slaughter
		Cattle	
1935-39	39.0	(a)	25.3
1940-44	37.0	26.6 (b)	24.4
1945-49	33.3	26.8	24.8
1950-54	31.5	24.7	23.2
1955	31.3	25.1	23.5
1956	30.6	25.0	23.5
1957	30.0	24.3	22.8
		Hogs	
1935-39	29.7	(a)	19.4
1940-44	28.8	21.5 (b)	20.4
1945-49	27.0	18.8	17.2
1950-54	30.5	23.6	23.3
1955	27.4	23.0	21.9
1956	27.1	22.8	21.8
1957	26.1	21.1	19.9

(a) Not available.

(b) Four years 1941-44 only.

Sources: Exhibits H-44, H-47, H-62, H-70, Returns of Information of Canada Packers, and Dominion Bureau of Statistics, Livestock and Animal Products Statistics.

The effect of acquisitions in maintaining the over-all position of Canada Packers with respect to cattle slaughter and hog slaughter is clearly evident when Tables90 and 91 are compared. The share of total commercial slaughter of cattle shows a more distinct decline in Table 91 than in Table 90, and this difference is more evident with respect to the share of inspected slaughter. In the case of hogs the share of the older plants also declines.

2. Diversification of Operations of Canada Packers

Diversification in the operations of meat packing companies on the North American continent apparently began at an early stage in the development of the modern industry. The incentive in this direction came in part from the desire to utilize as fully as possible the by-products of slaughtering and also to employ the distribution systems which the larger packing companies developed in connection with their meat operations. Later, some of the moves to diversify appear to have been made to find more profitable employment of capital and to use managerial skills over a wider field.

When Canada Packers was formed in 1927 the merged companies embraced a wide range of activities which have been carried on and, in most fields, expanded. Subsequently other fields of activity were entered. In addition to the meat packing plants included in the merger, Canada Packers also took over the manufacture of shortening and edible oils, fertilizer and livestock feed materials, soap, processed cheese, pickles, vegetable canning and creamery and produce units. In 1933 total sales of Canada Packers were over \$54,000,000, of which \$34,700,000 were made in the meat packing industry (Hearing, p.354). By 1958, total sales amounted to over \$486,000,000, and, according to an analysis made by the Director, almost one-half consisted of products which were not derived from livestock.

The first major acquisition by Canada Packers outside the meat packing industry occurred in 1936 when the Collis Leather Co. Limited, Aurora, Ontario was purchased. According to the evidence of Mr. W. F. McLean the acquired company had been engaged in tanning New Zealand calfskins for export to the United States. A change in the United States tariff closed off the market and the tannery had been closed before Canada Packers bought the business. Under the management of Canada Packers the Collis plant has been engaged principally in producing calf leather for sale in Canada. In 1956 about 80 per cent of its business was domestic and its output formed about 60 per cent of the total Canadian production of calf leather (EKB1010A-1018I).

It was contended by the Director that the tannery operations of Canada Packers strengthened its position in the meat packing industry by providing an assured outlet for one of the by-products of slaughtering and that tanneries operated by Canada Packers had an advantage over other tanneries, none of which is integrated with another meat packer. The position taken by Canada Packers was that hides and skins are freely available both in domestic and international trade and that its transactions in hides and skins with subsidiary companies are conducted on the basis of prevailing market prices so that it has no advantages either as a supplier or user of hides and skins.

In the case of calfskins Canadian tanneries have always used a substantial proportion of imported skins and, at the same time, a substantial proportion of the Canadian production of calfskins has been exported. Between 1950 and 1957 the exports of calfskins produced in Canada increased from 46 per cent to 76 per cent of the total supply. In the same period Canadian tanners increased their use of imported calfskins from about 32 per cent of their total receipts to almost 70 per cent (Exhibit H-114). Over the period 1948 to 1958 purchases of calfskins from Canada Packers by the controlled tannery averaged 47.4 per cent of Canada Packers' production and such purchases averaged 33.9 per cent of the tannery's total purchases of skins (Exhibit H-118).

Canada Packers' next acquisition of a tannery business took place in 1944 when Beardmore & Co. Limited, Acton, Ontario was purchased. The Acton tannery was engaged in the production of sole and belting leather. Although, according to the evidence of Mr. W.F. McLean, Canada Packers' investment in the Beardmore company has returned a reasonable profit, the market for sole and belting leather has shrunk considerably and the Acton tannery has been adapted so that it can also produce side upper leather for which the market has been expanding (Hearing, p. 932). In 1952, through the purchase of shares in a holding company, Canada Packers acquired a 60 per cent interest in The Robson Leather Company Limited, Oshawa, Ontario. The Robson company was engaged in the manufacture of side upper leather. In 1956 its domestic sales formed almost 22 per cent of total domestic sales of Canadian side upper leather tanneries and the sales of side upper leather by the Robson and Beardmore companies together formed almost 30 per cent of total domestic sales.

In 1952, Canada Packers also bought the business of the Anglo-Canadian Leather Co. Limited, Huntsville, Ontario. The Huntsville tannery was engaged in the production of sole leather and, according to the evidence of Mr. W.F. McLean, was making no money or losing some in the face of the shrinking demand for sole leather. Although Canada Packers realized that the sole leather

business was dying the business was acquired at a very low price and Mr. McLean said Canada Packers felt it could operate the business without a loss, if not actually making a profit. As it turned out, a modest profit was made. However, the Huntsville tannery was being closed at the time Mr. McLean gave evidence and all production of sole leather by Canada Packers would be carried on at the Beardmore plant (Hearing, pp. 996-97). In 1956, the domestic sales of sole leather by the Acton and Huntsville tanneries controlled by Canada Packers accounted for almost 71 per cent of the Canadian total. In view of the opportunities open to Canada Packers to invest capital in more profitable ways than were evident in the sole leather business it is difficult to escape the conclusion that the acquisition of the Anglo-Canadian Leather Co. Limited by Canada Packers was made for the purpose of giving the Company a larger measure of control of sole leather tanning operations in Canada.

For the period 1948 to 1958, tanneries controlled by Canada Packers purchased, on the average, 35.7 per cent of their requirements of cattle hides from Canada Packers and such purchases, on the average, amounted to 38.8 per cent of the production of cattle hides by Canada Packers (Exhibit H-118).

In the opinion of the Commission the evidence does not establish that the acquisition of tannery businesses by Canada Packers has had a significant effect on the Company's position in the meat packing industry.

As already mentioned, the manufacture of shortening and edible oils had been carried on by the predecessor companies of Canada Packers. Over the years technological developments have made it possible to use oils from a variety of sources in the manufacture of edible oil products, so that animal oils produced in the meat packing industry are in competition with vegetable oils and with marine and fish oils. It was suggested by the Director that an investment which Canada Packers had in British Columbia Packers Limited from 1946 to January, 1959 when the shares were sold, gave Canada Packers an advantage in the procurement of marine and fish oils as British Columbia Packers Limited is a producer of such oils. The evidence indicates that edible oils from the various sources now producing them are sold on established markets and it was not established that Canada Packers gained any advantage in making purchases from British Columbia Packers Limited. In 1950 Canada Packers acquired Canadian Vegetable Oil Processing Limited, which had a plant at Hamilton, Ontario to crush soya beans to produce oil for the edible oil industry and meal for the manufacture of feeds. This acquisition provided Canada Packers with a direct source of materials for its oil processing plants and for its feed operations.

Canada Packers produces shortening under brand names for

retail trade and also bulk shortening for use in the bakery and allied trades. In both fields sales by Canada Packers form about 40 per cent of the Canadian total. The evidence indicates that Procter & Gamble Company of Canada Limited is also a very substantial producer of shortening, its sales for the retail trade forming almost 50 per cent of the Canadian total. A considerable part of the remaining 10 per cent is done by Swift Canadian Co. Limited.

While officials of Canada Packers denied that there had been agreement among manufacturers of shortening to fix prices, it was stated that on occasion there had been discussions among representatives of manufacturers concerning the level of prices that prevailed. Dr. Clark pointed out that with so few competitors each was aware of the price of the other and that any action on the part of one manufacturer would induce a reaction from competitors. In the industry there is reluctance to change prices relative to a competitor because such action would bring about retaliation from competitors seeking to maintain their share of the market (Hearing, pp. 1054-55).

Canada Packers was the first manufacturer of margarine in Canada but its share of the market has been declining as more producers enter the field. The actual output of margarine by Canada Packers declined from 1953 to 1957, when total production in Canada was increasing, but Canada Packers was able to increase its output in 1958. Its share of total production in Canada fell from 24.2 per cent in 1953 to 15.0 per cent in 1957 (Exhibit H-127).

In other fields of edible oil production Canada Packers occupies a substantial position. Its share of the output of cocoanut oil increased from 37.6 per cent of the Canadian total in 1953 to 47 per cent in 1958 but its share of salad and cooking oil varied in the same period from 40.5 per cent in 1953 to 27.2 per cent in 1956 and 32.4 per cent in 1958. If all edible oil products are grouped together, Canada Packers' share amounted to 34 per cent in 1954 and 29.3 per cent in 1958 (Exhibit H-127).

The manufacture of soap, in which inedible tallows from slaughtering are used, was among the activities which Canada Packers took over at the time of the merger. The production of soap has been declining as synthetic detergents have taken over an enlarging share of the market for washing agents. Canada Packers has entered into the manufacture of synthetic detergents but its share of the total output of soap and synthetic detergents in 1956 was 5.5 per cent (Exhibit H-133).

Since the 1930's Canada Packers has established a leading position in the animal feeds business. At the outset, according to the evidence of Mr. G. A. Schell, the only feed business engaged in by Canada Packers was the grinding of tankage derived as a by-

product of slaughtering and its sale to the few firms then engaged in the complete feed business (Hearing, p. 1161). Canada Packers then developed a system under which the Company prepared feed concentrates which, when mixed at a local feed mill with the farmer's own grain or other grain obtained locally in accordance with formulas prepared and registered by the Company, would provide the proper feed for the purpose required. This system resulted in a substantial saving in transportation costs which arise when grain is shipped to a central feed mill and then returned in the form of feed to the areas in which livestock is raised. Chopping mills which operated on a custom basis or sold chopped grain already existed in most livestock areas. Canada Packers entered into arrangements with chopping mills in all parts of Canada under which the mill installed mixing equipment to mix feed concentrates supplied by Canada Packers under the trade name "Shur-Gain" with grain according to registered formulas and distributed the resulting Shur-Gain feed locally. Canada Packers provided accounting supervision and other assistance and checked the standard of feed produced at the Shur-Gain mills. In some areas Canada Packers set up a Shur-Gain mill under direct ownership to serve as a demonstration unit when an operator could not be found to convert a chopping mill. At the time of the inquiry Canada Packers owned 16 of the 661 Shur-Gain feed mills in Canada (Exhibit H-180).

In 1958 Canada Packers produced 38 per cent of the feed concentrates used in Canada. Its largest markets were Ontario, Quebec and Alberta, in which its shares were 35.3, 52.9 and 47.6 per cent respectively (Exhibit H-134). If feed concentrates are converted into complete feeds, Canada Packers' share of the total feed business in 1958 was 26.9 per cent. Its shares of its principal markets were: Ontario, 26.2 per cent; Quebec, 33.8 per cent and Alberta, 44.1 per cent (Exhibit H-142).

It was suggested by the Director that the leading position which Canada Packers occupies in the feed business promises to give the Company substantially greater control over the marketing of livestock with the continued development of contract feeding. While the evidence contains some examples of the contract feeding of livestock, it does not indicate a substantial movement in this direction in the near future. For a time Canada Packers undertook some contract feeding of hogs in Ontario but gave this up over two years ago. The co-operative marketing of hogs in Ontario may have been a factor in the Company's decision. At the time of the hearing Canada Packers had 17,400 hogs on feeding contracts in Quebec and 2,700 in Prince Edward Island (Hearing, p. 1283). In Western Canada some cattle are on contract feeding to meet the demands of one chain store for stall-fed cattle (Hearing, p. 1246). In the case of poultry, practically all the growing production of broilers appears to be conducted under some form of contract feeding.

Two developments have been of major significance in the production and marketing of poultry in recent years. The first has been the growth of chicken broiler production made possible by the control of poultry diseases and the development of scientific feeding and rapidly maturing strains of poultry. The second has been the acceptance by retailers and consumers of pre-packaged eviscerated poultry. These factors have led to the development of relatively large scale units for successive outputs of broilers during the year. A unit providing for 20,000 birds at one time and producing 4 crops per year was described as a good economic unit at the hearing. Such a unit would involve an investment of about $50,000 (Hearing pp. 1394-95). As most producers wishing to take up the production of broilers did not have capital on this scale, feed companies, poultry processors and hatchery firms have advanced funds under various forms of contract for the delivery of the broilers produced.

In order to provide for the effective processing and marketing of the broiler production larger scale processing and eviscerating plants have been established by packing companies, poultry firms, co-operatives and others. In 1949 less than one-third of commercial poultry production was handled by registered processing stations but by 1958 almost two thirds were being marketed through such stations (Exhibit H-150). In 1953, chicken broilers formed less than 10 per cent of total poultry marketings, but by 1958 they formed almost 32 per cent (Exhibit H-148).

Canada Packers is engaged in marketing poultry produced under contract arrangements with growers and processed in its own stations, and it also purchases supplies of poultry for sale. The Company's share of poultry marketed through registered stations decreased from 14.8 per cent in 1950 to 11.9 per cent in 1958 but because its production of processed poultry was growing so rapidly along with that of other processors its share of total commercial production increased from 4.8 per cent to 7.8 per cent in the same period (Exhibit H-151). Canada Packers' sales of poultry decreased from 26.9 per cent in 1950 to 20.3 per cent in 1958 but its share of marketings through registered stations increased from 9.0 per cent to 13.0 per cent when its purchases of poultry from other processors are included (Exhibit H-152).

The fertilizer plants of Canada Packers are located in Ontario, Quebec, New Brunswick, Nova Scotia and Prince Edward Island. Although meat packers originally became interested in the fertilizer business as an outlet for some of the by-products from slaughtering, the main materials in the fertilizer industry for a great many years have been chemicals. Canada Packers does not produce the main chemical ingredients, nitrogen, phosphorus and potash, which are purchased from chemical producers in Canada or imported. Canada Packers is engaged in the production of mixed fertilizers. In the

provinces of Ontario and Quebec Canada Packers' share of the sales of fertilizer and fertilizer materials ranged from about 25 to 30 per cent in the period 1948 to 1958. In the Maritime Provinces its share has been generally larger, particularly in New Brunswick and Prince Edward Island (Exhibit H-147). The Director attributed the position of Canada Packers in the fertilizer field as being due to a considerable extent to past acquisitions. Although Canada Packers acquired a plant at Welland, Ontario in 1943 it subsequently built a much larger plant at Chatham, so that the Welland acquisition formed only a small part of the total capacity of the three Ontario plants. In Quebec no fertilizer plants were acquired. One plant was acquired in Prince Edward Island and another in Nova Scotia and the output of these plants forms a substantial part of the total fertilizer production in the respective provinces.

Some of the evidence secured by the Director in an earlier inquiry which was discontinued without the submission of a Statement of Evidence was put before the Commission in the present inquiry. It was considered by the Director that this evidence showed that prior to the commencement of the present inquiry there had been from time to time consultation between Canada Packers and some other fertilizer manufacturers about fertilizer prices and merchandising policies. It was the view of the Director that the growth in the number of fertilizer companies in Ontario from 7 in 1945 to 17 in 1956 had led to more active competition in the sale of fertilizer. The Director also thought that the passage of the legislation in 1951 prohibiting resale price maintenance had a similar effect. In addition to a new manufacturer entering the fertilizer business in Quebec, the sale of fertilizers by co-operative organizations has contributed to more active competition in that province in the opinion of the Director.

The Director considered that Canada Packers' control of cold storage facilities contributed to the amount of business done by the Company in the sale of eggs and butter. The official statistics do not always differentiate between cold storage for the maintenance of products in frozen state and other forms of storage where low temperatures are not required. In the opinion of the Commission there does not appear to be anything out of the way in the extent of cold storage facilities operated or controlled by Canada Packers and we do not see any reason to question the evidence brought forward by Canada Packers as to the availability of cold storage facilities under other control.

The marketing of eggs has changed substantially in recent years with the growth of more specialized egg producers, the development of larger assembly stations and the increasing importance of large scale retailing. Large retail organizations tend to make purchases of eggs direct from assembly points and thus by-

pass wholesalers such as Canada Packers. The latter's share of commercial egg marketings declined from 11.3 per cent in 1950 to 6.8 per cent in 1958 (Exhibit H-156).

The distribution of butter by meat packers has been affected by the growth of large scale retailers in much the same way as in the marketing of eggs. In addition, the government price support programme involving the storage of butter during periods of surplus production has largely removed this function from the private trade. Canada Packers took over the operation of a number of creameries from the predecessor companies in 1927. In the intervening years some unprofitable units have been given up and other creameries opened. At the time of the hearing the Company was operating 7 creameries in Ontario and 5 in Manitoba (Hearing, p. 1486). In addition to the output of its own creameries Canada Packers also purchases butter for resale. About 1952 the executive of the Company directed that a close watch be kept on inventories and over the period 1950 to 1959 the inventory of butter held by Canada Packers averaged about 2 per cent of total Canadian stocks of butter (Exhibit H-159).

Canada Packers has always carried on a produce business in fruits and vegetables in connection with its system of distribution. In 1952 it acquired a wholesale produce firm in Montreal and in 1956 purchased another wholesale produce firm in the same city. In the same year Canada Packers also acquired a firm engaged in the wholesale potato business in Perth, New Brunswick. The evidence in the inquiry does not show that these acquisitions had any significant effects on the trades in which the acquired firms were engaged. In most areas the produce business is carried on by a considerable number of independent merchants.

After the consolidation of the operations of Canada Packers following the merger in 1927 one vegetable cannery was operated at Picton, Ontario. Subsequently other canneries were established or purchased and some of these were closed after a period of operation. In the 1959-60 canning season the following fruit and vegetable processing plants were operated by Canada Packers: Brantford, Ontario (re-built after a fire in 1941); Burford, Ontario (property purchased in 1950); Sardis, British Columbia (established 1948); Osoyoos, British Columbia (property purchased 1956). About 1956 Canada Packers set up a subsidiary company, York Farms Limited, to handle the production and distribution of canned and frozen foods. In the six previous years sales by Canada Packers of canned fruits and vegetables had ranged from 7.0 per cent to 5.6 per cent of the total Canadian consumption of such goods (Exhibit H-164).

On the evidence as a whole the Commission does not consider that the operations of Canada Packers in connection with animal

feeds, fertilizer, poultry, eggs, butter, produce and canned goods significantly affect the position of the Company in the meat packing industry.

The growth of large scale retail organizations, it was pointed out by the Director, may provide what is referred to in economic literature as a form of countervailing power to the concentration of meat supply to a large extent in the hands of a few packers. While the competition among large retailers to advance their position in the market would be expected to lead to a policy of endeavouring to secure large volume sales at low markups and to hard bargaining with suppliers, there may also be tendencies, as were shown in the Commission's report on discriminatory practices in the grocery trade[1] to seek special price concessions and allowances for advertising and other forms of promotion. The Director suggested that a minority share interest which Canada Packers has maintained in Dominion Stores Limited, which operates the largest number of food stores in Canada, may have given it an advantage in making sales of meat to Dominion Stores Limited and tended to blunt the countervailing power which Dominion Stores Limited might be expected to exert in this field. Canada Packers' investment in shares of Dominion Stores Limited was first made in the 1930's and has been maintained since that time. There is no evidence in the inquiry to show that Canada Packers' sales to Dominion Stores Limited were made in any different way than sales to other chain organizations. The volume of Canada Packers' business with Dominion Stores Limited in the Company's year ended March 30, 1960 was almost twice as great as that with the next largest chain store customer, but from evidence put before the Commission by Canada Packers it appears that the Company enjoys a larger share of the meat business of one or possibly two other chain store companies than it does of Dominion Stores Limited.

While the Commission does not consider that the evidence put before it demonstrates that the volume of purchases which Dominion Stores Limited makes from Canada Packers results from other than buying in the interests of Dominion Stores Limited, it is the opinion of the Commission that share ownership by a seller in a buyer is not without danger that relationships between the two may be affected.

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1 Department of Justice, Report Transmitting a Study of Certain Discriminatory Pricing Practices in the Grocery Trade made by the Director of Investigation and Research, Ottawa, 1958.

For a number of years a director of Canada Packers has also been a director of Dominion Stores Limited and he would thus take part in the policy decisions of both companies. When companies related in this way occupy such a large part of their respective fields and when the value of having countervailing forces on both sides of the market which will operate with full effectiveness is of such importance, it is desirable that no relationships should exist which could affect in any way full bargaining between buyer and seller or the opportunities of other suppliers for equal access.

3. Market Actions of Canada Packers

A feature of livestock trading to which particular attention was given by the Director was the increasing proportion of buying which is done on a direct basis rather than through public stockyards. This feature has also been evident in the sale of livestock in the United States and in both countries direct buying appears to have been fostered by the improvement of highways leading to greater transportation by truck and the decentralization of slaughtering plants. Evidence was produced by Canada Packers to show that after taking account of charges which are incurred in selling on public stockyards the producer generally secures a better return on direct sales to the packing plant. However, as prices realized on public markets have an influence on the prices in other forms of buying the lessening in volume of business on public stockyards unless accompanied by other market developments of benefit to producers might affect the general level of prices. Such developments have included the growth of co-operative marketing organizations, the development of provincial marketing schemes and federal price support programmes and the spread of the auction method of selling. The latter method has been adopted not only at public stockyards but also at what are called country auction points. The efficacy of a system of auction selling is dependent, of course, upon the participation of an adequate number of competing buyers.

The evidence in the inquiry makes clear that Canada Packers considers that the scale of its operations in all principal markets is of such a size that its actions can influence the behaviour of the market. It was denied on behalf of the Company that its position in the meat packing industry was such that it could control either prices or supply. The position taken by the Director was that "While the general price level of meat is largely beyond the control of the packers or any other intermediary between the farmer and the consumer, the margins taken for the services performed in the distributive process may be much more directly under the control of the operator" (Statement, p. 12).

There are many instances in the documentary evidence

where actions by Canada Packers to give leadership to change price levels or supply conditions are outlined or suggested. It was argued on behalf of the Company that these may have amounted to no more than encouragement to local managers to put forth greater effort. The Commission does not construe the evidence in this way and we are of the opinion that it was expected that actions taken to ship supplies to one market rather than another or to change buying operations would have a particular effect on the market. That the efforts did not always produce the anticipated results, or that the actions were taken to provide for more even distribution of supplies or some other necessary market corrective, does not alter the situation that over the years Canada Packers has considered that it should use its position to provide leadership for other companies. In a regional market, such as the Maritimes, where Canada Packers shared the market with only one other large packer, it was prepared to insist on certain marketing practices being followed in the case of hogs.

The evidence also contains instances when Canada Packers attempted by prior consultation with other packers to ensure that a particular policy with respect to prices or other market action would be generally followed. Such attempts at collaboration were described in the Director's Statement as of an ad hoc or intermittent rather than a continuing character. They appear usually to have been engaged in by Canada Packers when conditions in some local market were considered to be out of line with supply or price movements elsewhere or when developments in one market because of local conditions were considered to be likely to have wider effects across the country where the same conditions did not exist.

The degree of concentration which existed in the meat packing industry in Canada prior to 1955, with Canada Packers' operations being more than twice as large as those of its nearest competitor in terms of value of sales and somewhat less in terms of slaughtering, and the operations of the three national packers taken together accounting for more than 50 per cent of total commercial slaughter and over 60 per cent of inspected slaughter, makes it necessary to consider the effect on competition which any enlargement of the position of the leading packer by way of acquisition of other firms would be likely to have. In such an appraisal consideration must be given to the manner in which the leading position of Canada Packers has been employed and the competitive positions occupied by the firms acquired.

4. Acquisition of Calgary Packers Limited and Wilsil Limited by Canada Packers

From the review of evidence of market actions by Canada Packers which has been given in earlier chapters of this report it is clear that the Calgary and Montreal markets were considered by Canada Packers to be subject to competitive activity on the part of independent packers which Canada Packers found difficulty in influencing on a leadership basis and employed various forms of competitive behaviour on its part to meet the situations which arose from time to time. Calgary Packers was one of the principal independent packers operating in Alberta and it was also engaged in supplying meat for sale in Montreal and Vancouver. Wilsil Limited, with its plant in Montreal, bought hogs in Quebec and also some cattle, but it also made considerable purchases of cattle in Western Canada which were shipped to Montreal for slaughter. Wilsil Limited also did a considerable amount of custom slaughtering for independent packers in Montreal. Wilsil Limited distributed meat products not only in the Province of Quebec but also in the Maritime Provinces.

The evidence in the inquiry makes clear that in the case of hogs the price on the Calgary market establishes the basis for all transactions in hogs throughout the Province of Alberta. The price on the Montreal market plays much the same role for the Province of Quebec and also for the Maritime Provinces. The price of hogs on the Montreal market, at times, has had an important influence on the price of hogs at other markets in Canada and the cattle price at Calgary has also been an important factor, at times, in influencing the price of cattle at other markets.

Both Calgary Packers and Wilsil Limited made considerable proportions of their livestock purchases on public markets. Their acquisition by Canada Packers removed two independent buyers from principal markets. In the case of Wilsil Limited its purchases of live cattle have been reduced drastically since its acquisition by Canada Packers under the technique of supplying the Montreal market with beef that is killed in the West (Hearing, p. 1588).

It is the opinion of the Commission that the acquisition of Calgary Packers Limited and Wilsil Limited by Canada Packers significantly lessened the competition previously existing in the trade in livestock on the markets where the purchases of Calgary Packers and Wilsil Limited were made, and because of the inter-relationship of markets could be expected to lessen the competitive effect resulting from such independent buying on Canadian livestock markets generally. It also appears to the Commission to be likely that competition in the distribution of meat products was also lessened as a result of such acquisitions.

5. Conclusions

In view of the limitations on competition which become evident when competitors are few in number and anxious to avoid active competition with respect to price, it does not appear to the Commission that the public interest will be best served if the disappearance of independent firms in an industry already highly concentrated proceeds unchecked. The evidence in the present inquiry with respect to the manufacture of shortening and fertilizers makes it clear that when producers become few in number there is a reluctance, as one witness put it, "to change prices relative to competitors" (Hearing, p. 1055).

Although the process of amalgamation in the meat packing industry has not yet brought about as great a degree of concentration as exists in some other industries it would appear to be desirable in the public interest to maintain as large a scope for competitive activity in such an essential food industry as is consistent with efficient operations. In the case of both Calgary Packers Limited and Wilsil Limited the businesses were of sufficient size to permit the economic use of mechanized operations on the minimum scale which was suggested to us. Such evidence as was given to the Commission as to the operations of Calgary Packers Limited and Wilsil Limited, after their acquisition by Canada Packers, does not point to any significant economies which had been achieved under the new ownership.

It is the opinion of the Commission that because of the degree of concentration which existed in the meat packing industry in Canada at the time of the acquisitions of Calgary Packers Limited and Wilsil Limited and the market power possessed by Canada Packers, the acquisitions were contrary to public interest as being likely to lessen competition in the industry in a substantial way and so deprive the public of the benefits of the competition which otherwise would prevail.

Having come to the conclusion that the acquisitions of Calgary Packers Limited and Wilsil Limited were contrary to the public interest we must now consider whether a remedy for the undesirable situation is possible under the Combines Investigation Act. Prior to its amendment in 1960 the definition of a merger formed part of the definition of a "merger, trust or monopoly" and such situations were subject to the Act when the "merger, trust or monopoly has operated or is likely to operate to the detriment or against the interest of the public, whether consumers, producers or others".

The application of these provisions of the Combines Investigation Act, before its amendment in 1960, has been considered

in two recent cases, both decided in 1960: Regina v. Canadian Breweries Limited (1960, 126 C.C.C. 133, also 1960, O.R. 601) and Regina v. British Columbia Sugar Refining Company Limited et al. (1960, 32 W.W.R. 577). Neither case was taken to appeal and while the trial court judgments did not rest on the same issues and were determined on their particular facts, it appears to be an underlying assumption of both judgments that the remedies provided in the legislation under which the actions were taken could only be applied where the merger being questioned resulted in the merged companies obtaining a virtual monopoly of the trade or industry, or being put in a position to exercise virtually complete control over the trade or industry. If these are the only circumstances in which the remedies provided in the Combines Investigation Act can be applied to merger situations they would not be available to deal with the situation disclosed by the present inquiry. The market power possessed by Canada Packers and which has been strengthened by the acquisitions of Calgary Packers Limited and Wilsil Limited does not give it a virtual monopoly of the meat packing industry or enable it to exercise virtually complete control, but, in the opinion of the Commission, the acquisitions are likely to lessen competition in the industry in such a way as to prejudice significantly the public interest in free competition.

In the amendments made to the Combines Investigation Act in 1960 the term "merger" was separately defined in the following way:

> "'merger' means the acquisition by one or more persons, whether by purchase or lease of shares or assets or otherwise, of any control over or interest in the whole or part of the business of a competitor, supplier, customer or any other person, whereby competition
> (i) in a trade or industry,
> (ii) among the sources of supply of a trade or industry,
> (iii) among the outlets for sales of a trade or industry, or
> (iv) otherwise than in subparagraphs (i), (ii) and (iii),
> is or is likely to be lessened to the detriment or against the interest of the public, whether consumers, producers or others"

The new definition would appear to embrace situations such as those revealed in the present inquiry but whether the legislation in effect at the time the acquisitions of Calgary Packers Limited and Wilsil Limited were made by Canada Packers would also be applicable is in some doubt in view of the recent trial judgments referred to above.

6. Recommendation

In the circumstances the Commission recommends that the possibility of seeking a court order under section 31(2) of the present Combines Investigation Act be fully explored for the purpose of dissolving the mergers of Calgary Packers Limited and Wilsil Limited with Canada Packers. In the event that it is determined that such a remedy can not be sought the Commission would recommend that the possibility of seeking a court order under section 31(2) be fully explored for the purpose of prohibiting Canada Packers from making any further acquisitions which would lessen competition in the meat packing industry.

(Signed) C.R. Smith
Chairman

(Signed) A.S. Whiteley
Member

(Signed) Pierre Carignan
Member

Ottawa,
August 3, 1961

STATISTICAL APPENDIX

Table I

Canada Packers Limited (including Canadian Subsidiaries) Slaughter
vs.
Total Commercial Slaughter, by Regions, 1947-57

(000's Head)

Maritimes

Year	Type of Livestock	Total Canada Packers Limited	Total Commercial Slaughter [a]	Percentage C. P. Ltd. is of Total Commercial Slaughter
	Cattle			
1954		9.7	89	10.9
1955		10.7	78	13.7
1956		11.3	85	13.3
1957		14.8	99	14.9
	Calves			
1954		3.0	41	7.3
1955		4.1	43	9.5
1956		5.8	45	12.9
1957		5.9	49	12.0
	Sheep & Lambs			
1954		11.0	92	12.0
1955		11.2	92	12.2
1956		11.5	90	12.8
1957		13.2	106	12.5
	Hogs			
1947		36.6	224	16.3
1948		53.4	248	21.5
1949		53.7	228	23.6
1950		65.1	284	22.9
1951		65.5	284	23.1
1952		71.6	303	23.6
1953		50.7	215	23.6
1954		62.6	232	27.0
1955		63.8	207	30.8
1956		57.2	191	29.9
1957		50.4	183	27.5

Table I (continued)

(000's Head)

Quebec

Year	Type of Livestock	Total Canada Packers Limited [b]	Total Commercial Slaughter [a]	Percentage C. P. Ltd. is of Total Commercial Slaughter
	Cattle			
1954		75.1	367	20.5
1955		102.8	370	27.8
1956		101.3	384	26.4
1957		107.5	405	26.5
	Calves			
1954		135.4	583	23.2
1955		201.3	622	32.4
1956		202.4	637	31.8
1957		184.9	641	28.8
	Sheep & Lambs			
1954		75.0	205	36.6
1955		75.7	195	38.8
1956		96.6	209	46.2
1957		88.2	187	47.2
	Hogs			
1942		283.6	1,180	24.0
1943		337.4	1,379	24.5
1944		542.8	1,486	36.5
1945		243.9	1,241	19.7
1946		188.7	1,085	17.4
1947		248.7	1,399	17.8
1948		343.3	1,362	25.2
1949		328.2	1,382	23.7
1950		358.0	1,562	22.9
1951		362.7	1,655	21.9
1952		608.2	2,134	28.5
1953		294.1	1,331	22.1
1954		280.0	1,375	20.4
1955		453.9	1,557	29.2
1956		448.9	1,519	29.5
1957		370.1	1,361	27.2

Table I (continued)

(000's Head)

Ontario

Year	Type of Livestock	Total Canada Packers Limited	Total Commercial Slaughter[a]	Percentage C. P. Ltd. is of Total Commercial Slaughter
	Cattle			
1954		260.5	722	36.1
1955		275.7	774	35.6
1956		279.5	802	34.9
1957		275.1	811	33.9
	Calves			
1954		84.7	224	37.8
1955		76.8	230	33.4
1956		77.3	229	33.8
1957		72.0	240	30.0
	Sheep & Lambs			
1954		99.8	200	49.9
1955		104.0	210	49.5
1956		105.2	211	49.9
1957		99.9	216	46.3
	Hogs			
1942		539.1	2,570	21.0
1943		563.2	2,429	23.2
1944		584.3	2,546	22.9
1945		425.1	2,173	19.6
1946		502.0	2,057	24.4
1947		565.8	2,534	22.3
1948		547.2	2,254	24.3
1949		601.6	2,442	24.6
1950		662.3	2,496	26.5
1951		656.6	2,315	28.4
1952		859.5	2,462	34.9
1953		537.8	1,853	29.0
1954		492.3	1,852	26.6
1955		558.7	2,034	27.5
1956		589.4	2,194	26.9
1957		515.8	2,151	24.0

Table I (continued)

(000's Head)

Manitoba

Year	Type of Livestock	Total Canada Packers Limited	Total Commercial Slaughter	Percentage C.P. Ltd. is of Total Commercial Slaughter
	Cattle			
1954		124.9	356	35.1
1955		120.3	333	36.1
1956		138.1	369	37.4
1957		153.3	403	38.0
	Calves			
1954		40.5	127	31.9
1955		39.1	120	32.6
1956		42.7	132	32.3
1957		47.7	142	33.6
	Sheep & Lambs			
1954		27.8	59	47.1
1955		28.6	69	41.4
1956		23.4	61	38.4
1957		26.2	62	42.3
	Hogs			
1942		529.7	1,330	39.8
1943		726.3	1,906	38.1
1944		838.4	2,040	41.1
1945		302.1	1,105	27.3
1946		199.4	691	28.9
1947		173.2	604	28.7
1948		174.3	538	32.4
1949		152.1	507	30.0
1950		159.9	504	31.7
1951		175.5	528	33.2
1952		296.7	802	37.0
1953		200.7	592	33.9
1954		212.8	627	33.9
1955		254.9	778	32.8
1956		239.9	729	32.9
1957		194.6	637	30.5

Table I (continued)

(000's Head)

Saskatchewan

Year	Type of Livestock	Total Canada Packers Limited	Total Commercial Slaughter[a]	Percentage C.P. Ltd. is of Total Commercial Slaughter
	Cattle			
1954		6.2	104	6.0
1955		7.3	97	7.5
1956		5.3	95	5.6
1957		5.9	116	5.1
	Calves			
1954		1.9	30	6.3
1955		2.1	30	7.0
1956		1.1	29	3.8
1957		1.4	30	4.7
	Sheep & Lambs			
1954		.4	11	3.6
1955		.2	12	1.7
1956		.1	11	.9
1957		.1	13	.8
	Hogs			
1942		-	1,156	-
1943		-	1,163	-
1944		-	1,366	-
1945		2.1	990	.2
1946		3.2	564	.6
1947		2.4	510	.5
1948		.2	417	-
1949		.6	352	.2
1950		4.1	321	1.3
1951		9.5	324	2.9
1952		11.5	393	2.9
1953		14.2	314	4.5
1954		12.6	279	4.5
1955		16.7	352	4.7
1956		14.8	365	4.1
1957		17.0	370	4.6

Table I (continued)

(000's Head)

Alberta

Year	Type of Livestock	Total Canada Packers Limited [(c)]	Total Commercial Slaughter [(a)]	Percentage C.P. Ltd. is of Total Commercial Slaughter
	Cattle			
1954		62.6	294	21.3
1955		110.6	335	33.0
1956		140.0	407	34.4
1957		153.5	452	34.0
	Calves			
1954		17.3	83	20.8
1955		23.0	88	26.1
1956		26.4	103	25.6
1957		29.1	108	26.9
	Sheep & Lambs			
1954		13.2	59	22.4
1955		20.2	70	28.9
1956		19.5	71	27.5
1957		23.7	78	30.4
	Hogs			
1942		363.0	2,300	15.8
1943		409.6	2,347	17.5
1944		533.9	2,771	19.3
1945		322.4	1,958	16.5
1946		213.2	1,369	15.6
1947		176.7	1,239	14.3
1948		199.3	1,034	19.3
1949		152.1	806	18.9
1950		155.3	816	19.0
1951		162.3	817	19.9
1952		224.6	1,079	20.8
1953		219.1	1,124	19.5
1954		226.4	1,112	20.4
1955		359.7	1,295	27.8
1956		342.0	1,238	27.6
1957		320.9	1,143	28.1

Table I (continued)

(000's Head)

British Columbia

Year	Type of Livestock	Total Canada Packers Limited	Total Commercial Slaughter [(a)]	Percentage C.P.Ltd. is of Total Commercial Slaughter
	Cattle			
1954		24.6	146	16.8
1955		29.3	140	20.9
1956		31.4	155	20.3
1957		28.1	158	17.8
	Calves			
1954		4.2	77	5.5
1955		4.7	64	7.3
1956		6.9	69	10.0
1957		6.6	74	8.9
	Sheep & Lambs			
1954		20.9	73	28.6
1955		21.3	83	25.6
1956		19.7	86	22.9
1957		18.9	83	22.8
	Hogs			
1942		20.8	193	10.8
1943		17.4	201	8.7
1944		38.0	286	13.3
1945		36.4	296	12.3
1946		24.5	230	10.7
1947		21.7	259	8.4
1948		31.4	258	12.2
1949		28.1	264	10.6
1950		39.5	301	13.1
1951		39.5	299	13.2
1952		61.5	348	17.7
1953		52.4	341	15.4
1954		59.8	340	17.6
1955		74.3	378	19.7
1956		68.2	364	18.7
1957		53.5	314	17.0

(a) Total commercial slaughter derived from total farm output of livestock plus imported animals for slaughter, less exported animals (live), and less farm slaughter for farm use.

(b) Wilsil Limited slaughter included for years 1955, 1956 and 1957 only.

(c) Calgary Packers Limited slaughter included for years 1955, 1956 and 1957 only.

Sources: Exhibits H-55, H-56, H-57, H-58, H-47.

Table II

Canada Packers Limited (including Canadian Subsidiaries) Slaughter vs. Inspected Slaughter, by Regions, 1935-57

(000's Head)

Maritimes

	Cattle			Calves			Sheep & Lambs			Hogs		
Year	Industry Total	Canada Packers	Per-centage	Industry Total	Canada Packers	Per-centage	Industry Total	Canada Packers	Per-centage	Industry Total	Canada Packers	Per-centage
1935	7	-	-	*-	-	-	17	-	-	40	-	-
1936	6	-	-	*-	-	-	19	-	-	49	-	-
1937	11	-	-	*-	-	-	17	-	-	59	-	-
1938	11	-	-	*-	-	-	19	-	-	63	-	-
1939	7	-	-	8	-	-	15	-	-	63	-	-
1940	7	-	-	10	-	-	14	-	-	79	-	-
1941	10	-	-	11	-	-	14	-	-	67	-	-
1942	8	-	-	9	-	-	20	-	-	80	-	-
1943	6	-	-	8	-	-	24	-	-	97	-	-
1944	11	-	-	9	-	-	24	-	-	135	-	-
1945	14	-	-	11	-	-	34	-	-	102	45	44.1
1946	17	-	-	21	-	-	50	-	-	80	27	33.8
1947	9	1	11.1	16	1	6.3	32	12	37.5	98	43	43.9
1948	12	1	8.3	12	1	8.3	30	9	30.0	161	60	37.3
1949	16	4	25.0	19	2	10.5	30	9	30.0	149	60	40.3
1950	23	5	21.7	22	1	4.5	33	8	24.2	179	70	39.1
1951	21	7	33.3	13	1	7.7	34	6	17.6	180	70	38.9
1952	20	6	30.0	12	2	16.7	32	12	37.5	206	81	39.3
1953	26	9	34.6	17	2	11.8	32	12	37.5	127	59	46.5
1954	26	10	38.5	17	3	17.6	33	11	33.3	134	63	47.0
1955	26	11	42.3	18	4	22.2	31	11	35.5	129	64	49.6
1956	31	11	35.5	23	6	26.1	33	12	36.4	119	57	47.9
1957	36	15	41.7	25	6	24.0	33	13	39.4	115	50	43.5

* Slaughter of calves included with cattle for these years.

Table II (continued)

(000's Head)

Quebec

Year	Cattle			Calves			Sheep & Lambs			Hogs		
	Industry Total	Canada Packers	Per-centage	Industry Total	Canada Packers	Per-centage	Industry Total	Canada Packers	Per-centage	Industry Total	Canada Packers	Per-centage
1935	329*	154	46.8	-*	-	-	161	102	63.3	439	200	45.6
1936	318*	156	49.1	-*	-	-	155	95	61.3	541	265	49.0
1937	341*	188	55.1	-*	-	-	157	102	65.0	620	344	55.5
1938	378*	191	50.5	-*	-	-	165	100	60.6	520	242	46.5
1939	135	62	45.9	273	139	50.9	168	98	58.3	630	268	42.5
1940	130	61	46.9	294	154	52.4	159	91	57.2	874	421	48.2
1941	160	75	46.9	325	164	50.5	180	106	58.9	823	386	46.9
1942	137	56	40.9	318	152	47.8	177	101	57.1	610	284	46.6
1943	128	51	39.8	273	124	45.4	201	105	52.2	730	337	46.2
1944	187	93	49.7	291	137	47.1	190	119	62.6	1088	543	49.9
1945	231	107	46.3	340	159	46.8	275	162	58.9	733	244	33.3
1946	204	79	38.7	342	155	45.3	284	135	47.5	594	189	31.8
1947	185	64	34.6	313	125	39.9	217	102	47.0	780	249	31.9
1948	221	93	42.1	364	158	43.4	227	104	45.8	963	343	35.6
1949	234	88	37.6	350	152	43.4	202	95	47.0	952	328	34.4
1950	247	89	36.0	384	160	41.7	184	90	48.9	1095	358	32.7
1951	187	67	35.8	308	117	38.0	142	62	43.7	1119	363	32.4
1952	185	63	34.1	293	119	40.6	147	77	52.4	1603	608	37.9
1953	222	73	32.9	374	146	39.0	177	80	45.2	878	294	33.5
1954	241	75	31.1	404	135	33.4	179	75	41.9	916	280	30.6
1955	250	102	40.8	417	202	48.4	168	76	45.2	1065	454	42.6
1956	262	101	38.5	434	202	46.5	179	97	54.2	1041	449	43.1
1957	277	108	39.0	416	185	44.5	161	88	54.7	855	370	43.3

* Slaughter of calves included with cattle in these years.

Table II (continued)

(000's Head)

Ontario

Year	Cattle Industry Total	Cattle Canada Packers	Cattle Per-centage	Calves Industry Total	Calves Canada Packers	Calves Per-centage	Sheep & Lambs Industry Total	Sheep & Lambs Canada Packers	Sheep & Lambs Per-centage	Hogs Industry Total	Hogs Canada Packers	Hogs Per-centage
1935	311	165	53.1	149	70	47.0	321	163	50.8	928	355	38.3
1936	329	173	52.6	130	61	46.9	293	151	51.5	1271	462	36.3
1937	323	169	52.3	132	63	47.7	290	152	52.4	1459	492	33.7
1938	342	172	50.3	138	60	43.5	287	146	50.9	1368	441	32.2
1939	336	170	50.6	141	65	46.1	266	131	49.2	1383	419	30.3
1940	353	191	54.1	152	75	49.3	270	144	53.3	1855	558	30.1
1941	401	217	54.1	159	79	49.7	296	156	52.7	1983	601	30.3
1942	318	167	52.5	122	59	48.4	276	140	50.7	1771	539	30.4
1943	301	155	51.5	116	51	44.0	296	153	51.7	1833	563	30.7
1944	373	208	55.8	135	65	48.1	320	175	54.7	1855	584	31.5
1945	463	245	52.9	146	71	48.6	352	183	52.0	1485	425	28.6
1946	383	182	47.5	116	52	44.8	319	169	53.0	1495	502	33.6
1947	349	158	45.3	109	50	45.9	230	115	50.0	1743	566	32.5
1948	443	238	53.7	129	68	52.7	227	129	56.8	1548	547	35.3
1949	456	238	52.2	133	71	53.4	195	116	59.5	1533	602	39.3
1950	408	207	50.7	132	74	56.1	152	95	62.5	1600	662	41.4
1951	400	193	48.3	106	59	55.7	130	76	58.5	1587	657	41.4
1952	444	237	53.4	118	67	56.8	140	91	65.0	2041	860	42.1
1953	510	239	46.9	144	78	54.2	151	95	62.9	1426	538	37.7
1954	567	261	46.0	160	84	52.5	165	97	58.8	1409	492	34.9
1955	612	276	45.1	163	77	47.2	178	100	56.2	1678	559	33.3
1956	649	280	43.1	168	77	45.8	179	105	58.7	1843	589	32.0
1957	649	275	42.4	166	72	43.4	175	100	57.1	1703	516	30.3

Table II (continued)

(000's Head)

Manitoba

Year	Cattle			Calves			Sheep & Lambs			Hogs		
	Industry Total	Canada Packers	Per-centage	Industry Total	Canada Packers	Per-centage	Industry Total	Canada Packers	Per-centage	Industry Total	Canada Packers	Per-centage
1935	200	90	45.0	123	46	37.4	146	66	45.2	498	241	48.4
1936	248	119	48.0	153	63	41.2	144	64	44.4	614	278	45.3
1937	262	126	48.1	201	87	43.3	138	63	46.0	560	241	43.0
1938	193	78	40.4	164	64	39.0	129	59	45.7	369	144	39.0
1939	204	81	39.7	145	57	39.3	134	61	45.5	532	232	43.6
1940	200	76	38.0	141	55	39.0	138	65	47.1	992	425	42.8
1941	208	80	38.5	124	48	38.7	137	60	43.8	1131	507	44.8
1942	254	98	38.6	113	37	32.7	148	65	43.9	1199	530	44.2
1943	272	104	38.2	110	32	29.1	153	77	50.3	1717	726	42.3
1944	385	177	46.0	124	39	31.5	168	74	44.0	1953	838	42.9
1945	495	232	46.9	161	56	34.8	257	115	44.7	959	302	31.5
1946	464	205	44.2	153	49	32.0	257	127	49.4	621	199	32.0
1947	304	100	32.9	132	32	24.2	165	77	46.7	537	173	32.2
1948	353	147	41.6	152	51	33.6	97	48	49.5	487	174	35.7
1949	319	129	40.4	141	54	38.3	72	36	50.0	429	152	35.4
1950	257	105	40.9	120	45	37.5	47	26	55.3	436	160	36.7
1951	218	87	39.9	81	27	33.3	40	20	50.0	481	176	36.6
1952	222	78	35.1	75	24	32.0	64	34	53.1	775	297	38.3
1953	310	112	36.1	110	36	32.7	57	27	47.4	571	201	35.2
1954	346	125	36.1	123	40	32.5	57	28	49.1	598	213	35.6
1955	325	120	36.9	117	39	33.3	68	29	42.6	759	255	33.6
1956	362	138	38.1	129	43	33.3	61	23	37.7	716	240	33.5
1957	395	153	38.7	139	48	34.5	61	26	42.6	621	195	31.4

Table II (continued)

(000's Head)

Saskatchewan

Year	Cattle			Calves			Sheep & Lambs			Hogs		
	Industry Total	Canada Packers	Per-centage	Industry Total	Canada Packers	Per-centage	Industry Total	Canada Packers	Per-centage	Industry Total	Canada Packers	Per-centage
1935	* -	-	-	* -	-	-	29	-	-	222	-	-
1936	73	-	-	26	-	-	32	-	-	305	-	-
1937	80	-	-	40	-	-	39	-	-	276	-	-
1938	45	-	-	19	-	-	28	-	-	133	-	-
1939	48	-	-	20	-	-	27	-	-	157	-	-
1940	49	-	-	20	-	-	28	-	-	344	-	-
1941	54	-	-	18	-	-	28	-	-	520	-	-
1942	57	-	-	15	-	-	31	-	-	663	-	-
1943	74	-	-	12	-	-	38	-	-	858	-	-
1944	104	-	-	18	-	-	37	-	-	1182	-	-
1945	170	-	-	30	-	-	52	-	-	697	2	.3
1946	182	-	-	31	-	-	72	-	-	377	3	.8
1947	117	2	1.7	23	2	8.7	49	1	2.0	310	2	.6
1948	108	1	.9	25	2	8.0	28	1	3.6	271	-	-
1949	92	2	2.2	23	2	8.7	17	1	5.9	195	1	.5
1950	76	2	2.6	19	2	10.5	9	1	11.1	190	4	2.1
1951	72	3	4.2	14	2	14.3	8	1	12.5	218	9	4.1
1952	71	5	7.0	12	2	16.7	9	1	11.1	317	11	3.5
1953	73	6	8.2	17	2	11.8	9	1	11.1	241	14	5.8
1954	78	6	7.7	21	2	9.5	8	-	-	229	13	5.7
1955	72	7	9.7	17	2	11.8	7	-	-	307	17	5.5
1956	71	5	7.0	19	1	5.3	7	-	-	310	15	4.8
1957	92	6	6.5	21	1	4.8	8	-	-	302	17	5.6

* Slaughter for Saskatchewan included in Alberta total for this year.

Table II (continued)

(000's Head)

Alberta

	Cattle			Calves			Sheep & Lambs			Hogs		
Year	Industry Total	Canada Packers	Per-centage	Industry Total	Canada Packers	Per-centage	Industry Total	Canada Packers	Per-centage	Industry Total	Canada Packers	Per-centage
1935	*166	-	-	*92	-	-	83	-	-	565	-	-
1936	100	6	6.0	69	1	1.4	89	4	4.5	665	28	4.2
1937	93	16	17.2	75	11	14.7	79	6	7.6	713	111	15.6
1938	86	17	19.8	67	14	20.9	67	7	10.4	594	97	16.3
1939	81	16	19.8	72	14	19.4	63	9	14.3	744	128	17.2
1940	87	17	19.5	72	15	20.8	55	7	12.7	1186	209	17.6
1941	99	19	19.2	68	12	17.6	69	8	11.6	1591	279	17.5
1942	116	26	22.4	72	14	19.4	68	10	14.7	1752	363	20.7
1943	150	41	27.3	53	12	22.6	79	14	17.7	1807	410	22.7
1944	198	51	25.8	60	12	20.0	92	16	17.4	2342	534	22.8
1945	322	71	22.0	73	16	21.9	111	25	22.5	1487	322	21.7
1946	299	63	21.1	65	14	21.5	123	23	18.7	932	213	22.9
1947	227	46	20.3	57	10	17.5	115	22	19.1	810	177	21.9
1948	244	58	23.8	81	15	18.5	86	15	17.4	856	199	23.2
1949	215	45	20.9	72	13	18.1	49	9	18.4	637	152	23.9
1950	174	33	19.0	64	14	21.9	45	8	17.8	638	155	24.3
1951	164	31	18.9	42	9	21.4	36	5	13.9	637	162	25.4
1952	198	40	20.2	40	8	20.0	55	10	18.2	983	225	22.9
1953	222	46	20.7	57	12	21.1	52	11	21.2	1053	219	20.8
1954	261	63	24.1	72	17	23.6	54	13	24.1	1073	226	21.1
1955	303	121	39.9	76	23	30.3	65	20	30.8	1254	360	28.7
1956	375	140	37.3	90	26	28.9	66	20	30.3	1183	342	28.9
1957	409	153	37.4	93	29	31.2	70	24	34.3	1088	321	29.5

* Slaughter for Saskatchewan & British Columbia included for this year.

Table II (continued)

(000's Head)

British Columbia

Year	Cattle			Calves			Sheep & Lambs			Hogs		
	Industry Total	Canada Packers	Per-centage	Industry Total	Canada Packers	Per-centage	Industry Total	Canada Packers	Per-centage	Industry Total	Canada Packers	Per-centage
1935	* -	-	-	* -	-	-	107	-	-	114	-	-
1936	58	-	-	12	-	-	97	-	-	121	-	-
1937	53	-	-	25	-	-	102	-	-	114	-	-
1938	65	8	12.3	27	2	7.4	105	8	7.6	102	10	9.8
1939	64	11	17.2	21	1	4.8	111	14	12.6	113	23	20.4
1940	65	17	26.2	16	2	12.5	101	18	17.8	128	26	20.3
1941	73	18	24.7	22	2	9.1	104	22	21.2	166	32	19.3
1942	80	17	21.3	18	2	11.1	106	25	23.6	123	21	17.1
1943	89	17	19.1	23	4	17.4	99	31	31.3	126	17	13.5
1944	96	18	18.8	24	4	16.7	127	29	22.8	211	38	18.0
1945	123	24	19.5	26	5	19.2	105	19	18.1	219	36	16.4
1946	120	24	20.0	25	7	28.0	108	23	21.3	153	24	15.7
1947	101	17	16.8	15	4	26.7	93	19	20.4	175	22	12.6
1948	109	24	22.0	25	7	28.0	74	15	20.3	200	31	15.5
1949	109	23	21.1	28	6	21.4	65	16	24.6	203	28	13.8
1950	99	20	20.2	31	5	16.1	52	21	40.4	268	40	14.9
1951	87	17	19.5	20	3	15.0	49	24	49.0	265	40	15.1
1952	97	18	18.6	17	4	23.5	66	23	34.8	310	62	20.0
1953	108	20	18.5	21	4	19.0	65	25	38.5	315	52	16.5
1954	116	25	21.6	22	4	18.2	66	21	31.8	319	60	18.8
1955	114	29	25.4	22	5	22.7	75	21	28.0	351	74	21.1
1956	125	31	24.8	29	7	24.1	76	20	26.3	337	68	20.2
1957	127	28	22.0	28	7	25.0	74	19	25.6	287	54	18.8

* Slaughter for British Columbia included in Alberta for this year.

Sources: Department of Agriculture, Livestock Market Review; Exhibits H-55, H-56, H-57, H-58, H-47; Returns of Canada Packers.

Table III

Total Number of Livestock Slaughtered by Firms Reporting to Dominion Bureau of Statistics[a] vs. Total Commercial Slaughter, 1935-57

(000's Head)

Year	CATTLE Total Number Slaughtered by Reporting Firms	CATTLE Total Commercial Slaughter (e)	CATTLE % (c)	CALVES Total Number Slaughtered by Reporting Firms	CALVES Total Commercial Slaughter (e)	CALVES % (c)	SHEEP and LAMBS Total Number Slaughtered by Reporting Firms	SHEEP and LAMBS Total Commercial Slaughter (e)	SHEEP and LAMBS % (c)	HOGS Total Number Slaughtered by Reporting Firms	HOGS Total Commercial Slaughter (e)	HOGS % (c)
1935	832.5	1,274.7 (b)	65.3	589.1	1,205.7(b)	48.9	897.3	1,609.5 (b)	55.8	2,970.0	4,700.1(b)	63.2
1936	941.9	1,336.2 (b)	70.5	623.7	1,247.6(b)	50.0	859.1	1,575.6 (b)	54.5	3,645.4	5,405.2(b)	67.5
1937	972.0	1,397.9 (b)	69.5	757.4	1,478.3(b)	51.2	837.1	1,534.4 (b)	54.6	3,951.5	5,745.2(b)	68.8
1938	911.3	1,389.0 (b)	65.6	690.4	1,388.9(b)	49.7	815.4	1,518.6 (b)	53.7	3,394.1	4,852.8(b)	69.9
1939	927.6	1,337.2 (b)	69.4	687.5	1,347.7(b)	51.0	785.7	1,476.8 (b)	53.2	3,793.5	5,122.2(b)	74.1
1940	935.9	1,402.5 (b)	66.7	717.8	1,419.0(b)	50.6	763.0	1,279.8 (b)	59.6	5,531.1	7,236.9(b)	76.5
1941	1,052.6	1,378.3	76.4	757.0	1,243.6	60.9	836.0	1,120.1	74.6	6,469.3	8,395.8	77.1
1942	1,032.5	1,392.3	74.2	683.3	1,264.4	54.0	820.3	1,132.7	72.4	6,335.9	8,952.1	70.8
1943	1,111.9	1,491.7	74.5	617.0	1,163.6	53.0	878.8	1,174.2	74.8	7,260.2	9,672.8	75.1
1944	1,427.5	1,730.1	82.5	678.8	1,183.8	57.3	986.3	1,208.4	81.6	9,066.5	10,769.6	84.2
1945	1,887.7	2,213.5	85.3	829.9	1,349.5	61.5	1,160.0	1.411.1	82.2	6,033.0	8,003.9	75.4
1946	1,760.2	2,050.5	85.8	815.5	1,261.9	64.6	1,212.7	1,356.1	89.4	4,403.2	6,202.6	70.9
1947	1,351.2	1,770.4	76.3	678.5	1,201.8	56.5	916.1	1,263.7	72.5	4,561.6	6,769.7	67.4
1948	1,550.8	1,797.8	86.3	823.4	1,267.4	65.0	841.1	979.6	85.9	4,802.9	6,111.0	78.6
1949	1,504.9	1,728.1	87.1	798.2	1,205.2	66.2	653.2	836.3	78.1	4,291.1	5,980.1	71.8
1950	1,309.2	1,569.1	83.4	802.0	1,222.7	65.6	526.6	710.5	74.1	4,778.4	6,285.3	76.0
1951	1.181.2	1,510.1	78.2	590.4	994.2	59.4	442.2	565.2	78.2	4,779.2	6,222.0	76.8
1952	1,251.9	1,626.0	77.0	583.5	908.6	64.2	525.1	651.9	80.5	6,436.8	7,521.4	85.6
1953	1,469.3	1,883.1	78.0	752.4	1,093.2	68.8	538.9	671.2	80.3	5,100.6	5,770.4	88.4
1954	1,692.1	2,078.2	81.4	833.6	1,165.1	71.5	567.4	698.2	81.3	5,006.4	5,818.1	86.0
1955 (d)	1,508.0	2,127.3	70.9	740.8	1,196.6	61.9	564.2	731.0	77.2	5,587.3	6,601.4	84.6
1956 (d)	1,635.3	2,297.1	71.2	793.6	1,243.5	63.8	574.4	738.6	77.8	5,638.4	6,600.7	85.4
1957 (d)	1,745.7	2,443.9	71.4	764.1	1,283.8	59.5	557.9	745.0	74.9	4,949.3	6,158.4	80.4

(a) Firms reporting to Dominion Bureau of Statistics for inclusion in The Slaughtering and Meat Packing Industry.
(b) Includes farm slaughter for farm use.
(c) Per cent of total commercial slaughter processed by reporting firms.
(d) Not including custom slaughter.
(e) Total commercial slaughter derived from total farm output of livestock, plus imported animals for slaughter, less exported animals (live), and less farm slaughter for farm use.

(Exhibit H-62)

Table IV

Total Production of Beef, Veal, Mutton & Lamb, and Pork by Canada Packers Limited and Canadian Subsidiaries vs. Total Commercial Production, 1939-57

(000's Pounds)

	Total Canada Packers Limited and Canadian Subsidiaries					Total Commercial Production					Percentage Canada Packers and Canadian Subsidiaries				
Year	Beef (1)	Veal (2)	Mutton & Lamb (3)	Pork (4)	Red Meats[2]	Beef (1)	Veal (2)	Mutton & Lamb (3)	Pork (4)	Red Meats[2]	Beef (1)	Veal (2)	Mutton & Lamb (3)	Pork (4)	Red Meats[2]
1939	176, 270	24, 392	13, 966	130, 862	345, 490	615, 620[1]	116, 775[1]	60, 304[1]	624, 965[1]	1, 417, 664[1]	28.6	20.9	23.2	20.9	24.4
1940	177, 648	26, 100	13, 969	195, 883	413, 600	643, 459[1]	122, 734[1]	52, 461[1]	864, 535[1]	1, 683, 189[1]	27.6	21.3	26.6	22.7	24.6
1941	199, 936	28, 800	15, 627	220, 924	465, 287	658, 212	117, 927	48, 688	1, 026,653	1, 851, 480	30.4	24.4	32.1	21.5	25.1
1942	185, 376	25, 905	15, 086	223, 956	450, 323	685, 820	124, 442	48, 672	1, 155, 029	2, 013, 863	27.0	20.8	31.0	19.4	22.4
1943	184, 199	23, 800	16, 401	277, 548	501, 948	729, 546	122, 338	50, 341	1, 305, 821	2, 208, 046	25.3	19.4	32.5	21.3	22.7
1944	273, 760	26, 013	17, 563	333, 920	651, 256	850, 465	120, 295	51, 211	1, 417, 635	2, 439, 606	32.2	21.6	34.3	23.6	26.7
1945	323, 875	31, 840	22, 050	172, 895	550, 660	1, 053, 480	138, 870	61, 353	1, 038, 840	2, 292, 543	30.8	22.9	36.0	16.6	24.0
1946	281, 530	28, 096	21, 733	146, 803	478, 162	980, 550	128, 929	60, 906	806, 039	1, 976, 424	28.7	21.8	35.7	18.2	24.2
1947	188, 222	22, 436	15, 296	161, 839	387, 793	843, 553	121, 026	56, 863	894, 311	1, 915, 753	22.3	18.5	27.0	18.1	20.2
1948	269, 797	30, 488	13, 820	173, 976	488, 081	843, 896	128, 021	41, 914	787, 643	1, 801, 474	32.0	23.8	32.9	22.1	27.0
1949	252, 549	31, 028	12, 636	172, 058	468, 271	809, 357	125, 399	37, 025	781, 735	1, 753, 516	31.2	24.7	34.1	22.0	26.7
1950	220, 311	29, 857	11, 481	186, 180	447, 829	738, 600	121, 637	30, 779	810, 038	1, 701, 054	29.8	24.5	37.3	23.0	26.3
1951	201, 883	22, 680	8, 840	191, 007	424, 410	745, 234	103, 297	25, 717	807, 615	1, 681, 863	27.1	22.0	34.3	23.6	25.2
1952	213, 800	23, 268	11, 104	275, 240	523, 412	817, 066	94, 404	28, 784	970, 261	1, 910, 515	26.2	24.6	38.6	28.4	27.4
1953	254, 282	29, 645	11, 099	175, 921	470, 947	933, 829	116, 097	28, 790	741, 497	1, 820, 213	27.2	25.5	38.5	23.7	25.9
1954	277, 316	30, 132	10, 697	174, 375	492, 520	1, 008, 966	122, 336	29, 744	753, 444	1, 914, 490	27.5	24.6	35.9	23.1	25.7
1955	328, 252	36, 489	11, 448	228, 460	604, 649	1, 032, 804	124, 327	31, 360	845, 299	2, 033, 790	31.7	29.3	36.5	27.0	29.7
1956	347, 182	38, 052	11, 668	226, 425	623, 327	1, 112, 715	130, 443	31, 317	848, 850	2, 123, 325	31.2	29.2	37.3	26.7	29.4
1957	365, 343	37, 912	11, 504	197, 915	612, 674	1, 209, 731	139, 934	32, 408	800, 592	2, 182, 665	30.2	27.1	35.5	24.7	28.1

1 Includes farm slaughter for farm use.
2 Total of columns (1), (2), (3) and (4).

Sources: Exhibits H-48, H-49, H-50, H-51, H-52.

Table V

Canada Packers Limited, Adjustments to Net Profit, Fiscal Years 1928-59

Fiscal Year	Net Profit per Statement of Evidence	Profits of Subsidiary Companies Not Consolidated and Minority Interest	Elimination of Dividends from Subsidiaries Not Consolidated	Net Profit plus Minority Interest Fully Consolidated	Depreciation Written & Disallowed for Tax Purposes	Disallowed Repairs	Depreciation Allowed on Disallowed Repairs	Bonus (Net after Tax)	Inventory Reserves	Other Reserves	Adjustment of Provision for Income Taxes	Adjusted Net Profit (Table 25-4)
1928	$1,028,697	$ 37,831	$ -	$1,066,528	$ 47,165	$ -	$ -	$ -	$ 240,842	$ -	$ 13,000	$1,367,535
1929	1,539,174	203,640	-	1,742,814	124,055	-	-	-	496,014	-	(70,000)	2,292,883
1930	1,552,072	(98,028)	-	1,454,044	46,988	-	-	-	103,602	-	(64,000)	1,540,634
1931	838,112	(3,018)	-	835,094	304,872	-	-	-	-	-	(89,000)	1,050,966
1932	384,303	(19,794)	-	364,509	412,912	-	-	-	-	-	(4,000)	773,421
1933	607,672	(51,994)	-	555,678	426,099	-	-	-	(615,000)	-	46,000	412,777
1934	1,429,670	26,947	-	1,456,617	497,525	-	-	213,780	(225,458)	-	105,000	2,047,464
1935	1,318,663	32,934	-	1,351,597	519,167	-	-	247,779	227,500	-	22,000	2,368,043
1936	1,288,011	45	-	1,288,056	515,622	-	-	344,258	614,129	-	17,000	2,779,065
1937	1,522,662	42,574	-	1,565,236	535,294	-	-	434,790	17,085	-	31,000	2,583,405
1938	1,100,560	42,038	-	1,058,522	522,314	-	-	159,929	133,829	-	(32,000)	1,842,594
1939	1,238,736	17,221	-	1,255,957	527,591	4,785	(199)	179,429	-	-	(26,000)	1,941,563
1940	1,667,810	64,547	-	1,732,357	523,805	14,684	(1,002)	419,412	579,000	-	90,000	3,358,256
1941	1,555,028	11,808	-	1,566,836	472,191	13,785	(2,983)	146,960	380,000	-	3,000	2,579,789
1942	1,611,465	65,378	-	1,676,843	436,265	224,711	(36,380)	157,837	1,310,000	118,527	(48,000)	3,839,803
1943	1,611,418	78,952	-	1,690,370	320,281	297,987	(60,398)	166,367	650,000	7,816	(81,000)	2,991,423
1944	1,347,587	555,628	-	1,903,215	348,731	571,744	(102,657)	192,950	580,000	149,290	99,000	3,742,273
1945	1,274,811	841,984	-	2,116,795	362,042	1,136,841	(199,734)	225,488	581,000	391,475	21,000	4,634,907
1946	1,816,781	419,423	-	2,236,204	465,009	1,027,967	(298,049)	324,750	10,000	171,350	(77,000)	3,860,231
1947	2,059,644	548,463	-	2,608,107	456,777	865,848	(380,240)	827,624	55,000	254,943	(205,000)	4,483,059
1948	2,182,300	548,822	-	2,731,122	397,308	768,507	(457,463)	966,054	-	217,518	(216,000)	4,407,046
1949	2,807,237	420,389	(350,000)	2,877,626	1,124	417,129	(667,056)	729,172	-	446,228	501,000	4,305,223
1950	3,480,212	330,173	-	3,810,385	(33,728)	373,006	(592,932)	967,417	-	172,809	327,000	5,023,957
1951	4,126,013	583,907	-	4,709,920	(25,333)	399,614	(577,403)	1,085,405	1,007,457	-	103,000	6,702,660
1952	1,964,545	(543,727)	-	1,420,818	(115,959)	302,283	(473,601)	3,103	(145,000)	-	70,000	1,061,644
1953	4,400,598	637,411	-	5,038,009	448,059	734,199	(451,944)	888,872	-	62,495	(251,000)	6,468,690
1954	3,702,020	88,686	(15,000)	3,775,706	366,481	1,042,149	(631,377)	646,339	-	-	(151,000)	5,048,298
1955	3,716,652	420,507	(315,000)	3,822,159	436,704	1,042,929	(668,949)	472,305	-	2,357	(56,000)	5,051,505
1956	4,745,533	77,248	-	4,822,781	578,884	920,055	(695,719)	737,102	-	5,192	(78,000)	6,290,295
1957	4,506,506	80,830	-	4,587,336	175,442	641,697	(638,854)	615,022	-	-		5,380,643
1958	4,972,803 A	36,233	-	5,009,036	510,511	816,777	(614,978)	710,362	-	-		6,431,708
1959	4,734,913 A	98,619	-	4,833,532	383,465	310,000 B	(429,159) B	601,303	-	-		5,699,141

A - Not included in Statement of Evidence.

B - Per income tax return.

(Exhibit H-197)

Table VI

Canada Packers Limited, Adjustments to Surplus, Fiscal Years 1928-59

Fiscal Year	Surplus per Statement of Evidence	Adjustments for Subsidiaries not Consolidated	Surplus - Fully Consolidated	Depreciation Written and Disallowed for Tax Purposes	Disallowed Repairs	Depreciation Allowed on Disallowed Repairs	Inventory Reserves	Other Reserves	Adjustment of Provision for Income Taxes	Sundry	Adjusted Surplus
1928	$ 1,028,698	$ 27,219	$ 1,055,917	$ 47,165	$ -	$ -	$ 240,842	$ -	$ 13,000	$ -	$ 1,356,924
1929	2,598,444	41,373	2,639,817	171,220	-	-	736,856	-	(57,000)	-	3,490,893
1930	3,706,569	(3,490)	3,703,079	218,208	-	-	840,458	-	(121,000)	-	4,640,745
1931	4,111,638	(6,144)	4,105,494	523,080	-	-	840,458	-	(210,000)	-	5,259,032
1932	4,073,622	(26,518)	4,047,104	935,992	-	-	840,458	-	(214,000)	-	5,609,554
1933	4,259,040	(75,367)	4,183,673	1,362,091	-	-	225,458	-	(168,000)	-	5,603,222
1934	4,633,038	(47,971)	4,585,067	1,859,616			-	-	(63,000)	-	6,381,683
1935	5,379,414	(15,456)	5,363,958	2,378,783	-	-	227,500	-	(41,000)	-	7,929,241
1936	5,177,174	(15,416)	5,161,758	2,894,405	-	-	841,629	-	(24,000)	-	8,873,792
1937	6,099,836	25,984	6,125,820	3,429,699	-	-	858,714	-	7,000	-	10,421,233
1938	6,600,396	(16,337)	6,584,059	3,952,013	-	-	992,543	-	(25,000)	-	11,503,615
1939	7,239,132	856	7,239,988	4,479,604	4,785	(199)	992,543	-	(51,000)	-	12,665,721
1940	8,106,942	66,133	8,173,075	5,003,409	19,469	(1,201)	1,571,543	-	39,000	-	14,805,295
1941	8,761,970	77,921	8,839,891	5,475,600	33,254	(4,184)	1,951,543	-	42,000	-	16,338,104
1942	9,573,435	142,967	9,716,402	5,911,865	257,965	(40,564)	3,261,543	118,527	(6,000)	-	19,219,738
1943	10,384,853	221,298	10,606,151	6,232,146	555,952	(100,962)	3,911,543	126,343	(87,000)	-	21,244,173
1944	11,272,440	436,883	11,709,323	6,580,877	1,127,696	(203,619)	4,491,543	275,633	12,000	-	23,993,453
1945	12,197,251	728,843	12,926,094	6,942,919	2,264,537	(403,353)	5,072,543	667,108	33,000	-	27,502,848
1946	13,014,032	1,148,567	14,162,599	7,407,928	3,292,504	(701,402)	5,082,543	838,458	(44,000)	-	30,038,630
1947	14,073,676	1,701,175	15,774,851	7,864,705	4,158,352	(1,081,642)	5,137,543	1,093,401	(249,000)	-	32,698,210
1948	15,255,976	2,252,163	17,508,139	8,262,013	4,926,859	(1,539,105)	5,137,543	1,310,919	(465,000)	-	35,141,368
1949	17,063,213	2,315,765	19,378,978	8,263,137	5,343,988	(2,206,161)	5,137,543	1,757,147	36,000	-	37,710,632
1950	19,143,425	2,638,142	21,781,567	8,229,409	5,716,994	(2,799,093)	5,137,543	1,929,956	363,000	-	40,359,376
1951	21,469,438	3,203,062	24,672,500	8,204,076	6,116,608	(3,376,496)	6,145,000	1,929,956	466,000	-	44,157,644
1952	21,633,983	2,647,439	24,281,422	8,088,117	6,418,891	(3,850,097)	6,000,000	1,929,956	536,000	-	43,404,289
1953	24,234,581	3,237,434	27,472,015	8,536,176	7,153,090	(4,302,041)	6,000,000	1,992,451	285,000	-	47,136,691
1954	29,393,192	-	29,393,192	8,902,657	8,195,239	(4,933,418)	6,000,000	1,992,451	134,000	55,433	49,739,554
1955	31,704,375	-	31,704,375	9,339,361	9,238,168	(5,602,367)	6,000,000	1,994,808	78,000	55,435	52,807,780
1956	34,649,908	-	34,649,908	9,918,245	10,158,223	(6,298,086)	6,000,000	2,000,000	-	55,435	56,483,725
1957	37,056,414	-	37,056,414	10,093,687	10,799,920	(6,936,940)	6,000,000	2,000,000	-	-	59,013,081
1958	41,929,217 A	-	41,929,217	10,604,198	11,616,697	(7,551,918)	6,000,000	-	-	-	62,598,194
1959	44,564,130 A	-	44,564,130	10,987,663	11,926,697	(7,981,077)	6,000,000	-	-	-	65,497,413

A - not included in Statement of Evidence,

(Exhibit H-197)

TABLE VII
Earnings Record of Canada Packers Limited, 1928-59
(after adjustments suggested in Statement of Evidence)

	1928 March 28	1929 March 27	1930 March 27	1931 March 26	1932 March 31	1933 March 30	1934 March 29
Current Assets	$ 16,010,988	$ 16,449,293	$ 16,422,033	$ 10,942,338	$ 9,635,685	$ 7,029,241	$ 9,439,205
Current Liabilities	9,485,658	8,108,661	8,442,193	3,562,613	3,105,819	2,686,889	2,248,351
Net Current Assets	6,525,330	8,340,632	7,979,840	7,379,725	6,529,866	4,342,352	7,190,854
Refund - Excess Profits Tax	-	-	-	-	-	-	-
Prepaid Expenses	188,322	178,100	160,707	116,442	128,992	111,210	144,245
Investments	859,175	812,233	668,186	719,859	1,877,211	3,677,039	1,108,173
Bonds of Subsidiaries	-	247,111	657,597	496,243	505,247	969,169	1,486,656
Life Insurance (Cash Value)	104,486	119,465	129,458	161,635	189,167	229,355	177,525
Cash with Trustees	18,769	123,629	81,790	81,790	81,790	67,612	67,612
Land, Buildings, Equipment	21,453,705	21,658,060	21,146,855	21,358,797	21,263,329	21,263,287	21,147,240
Miscellaneous Assets & Goodwill	4	4	8,832	10,063	10,063	4	4
Total	29,149,791	31,479,234	30,833,265	30,324,554	30,585,665	30,660,028	31,322,309
Deduct							
Reserves							
Depreciation	4,577,021	5,238,258	5,795.578	6,305,007	6,662,350	7,008,191	7,189,394
Surplus Appraisal	6,142,105	6,142,108	5,685,833	5,686,367	5,686,548	5,686,547	5,686,548
Contingent	225,490	-	-	-	-	-	-
	10,944,616	11,380,366	11,481,411	11,991,374	12,348,898	12,694,738	12,875,942
Capital Employed	18,205,175	20,098,868	19,351,854	18,333,180	18,236,767	17,965,290	18,446,367
Long-Term Liabilities							
Minority Interest of Shareholders	285,812	176,135	104,003	55,330	3,145	-	-
Special Loan	2,500,000	2,500,000	1,250,000	-	-	-	-
Funds in Trust	-	-	-	-	-	-	-
Funded Debt	6,012,000	5,893,400	5,655,400	5,408,400	5,152,900	4,890,900	4,592,900
Total	8,797,812	8,569,535	7,009,403	5,463,730	5,156,045	4,890,900	4,592,900
Capital Stock	8,050,439	8,038,440	7,701,706	7,610,418	7,471,168	7,471,168	7,471,784
Surplus	1,356,924	3,490,893	4,640,745	5,259,032	5,609,554	5,603,222	6,381,683
	18,205,175	20,098,868	19,351,854	18,333,180	18,236,767	17,965,290	18,446,367
AVERAGE CAPITAL EMPLOYED	16,761,853	19,152,022	19,725,361	18,842,517	18,284,974	18,101,029	18,205,829
Net Profit	1,367,535	2,292,883	1,540,634	1,050,966	773,421	412,777	2,047,464
Interest	321,000	506,792	495,214	405,664	315,589	300,064	283,014
	1,688,535	2,799,675	2,035,848	1,456,630	1,089,010	712,841	2,330,478
PERCENTAGE RETURN ON AVERAGE CAPITAL EMPLOYED	16.1	14.6	10.3	7.7	6.0	3.9	12.8

Table VII (continued)

	1935 March 28	1936 March 26	1937 March 25	1938 March 31	1939 March 30	1940 March 28	1941 March 27
Current Assets	$ 9,112,354	$ 9,556,959	$ 15,167,238	$ 13,409,701	$ 12,606,056	$ 18,549,758	$ 20,438,635
Current Liabilities	2,846,608	2,362,450	7,647,243	6,902,179	5,555,338	10,041,566	10,947,564
Net Current Assets	6,265,746	7,194,509	7,519,995	6,507,522	7,050,718	8,508,192	9,491,071
Refund - Excess Profits Tax	-	-	-	-	-	-	-
Prepaid Expenses	160,054	163,262	140,095	191,352	240,431	248,673	302,928
Investments	534,510	504,396	137,133	224,594	238,635	237,435	160,634
Bonds of Subsidiaries	-	-	-	-	-	-	-
Life Insurance (Cash Value)	209,445	262,514	297,736	329,765	345,346	379,820	414,478
Cash with Trustees	-	-	-	-	-	-	-
Land, Buildings, Equipment	21,168,118	21,504,563	22,573,960	23,840,899	23,957,307	24,154,377	24,223,471
Miscellaneous Assets & Goodwill	4	1	1	1	1	1	1
Total	28,337,877	29,629,245	30,668,920	31,094,133	31,832,438	33,528,498	34,592,583
Deduct							
Reserves							
Depreciation	7,394,784	7,643,805	7,884,865	7,978,594	8,304,765	8,666,257	8,947,513
Surplus Appraisal	5,684,649	5,672,940	5,672,940	5,671,759	5,671,759	5,617,483	5,617,483
Contingent	-	-	-	-	-	-	-
	13,079,433	13,316,745	13,557,805	13,650,353	13,976,524	14,283,740	14,564,996
Capital Employed	15,258,444	16,312,500	17,111,115	17,443,780	17,855,914	19,244,758	20,027,587
Long-Term Liabilities							
Minority Interest of Shareholders	419	424	1,598	1,881	1,909	1,179	1,199
Special Loan	-	-	-	-	-	-	-
Funds in Trust	-	-	-	-	-	-	-
Funded Debt	-	6,000,000	5,250,000	4,500,000	3,750,000	3,000,000	2,250,000
Total	419	6,000,424	5,251,598	4,501,881	3,751,909	3,001,179	2,251,199
Capital Stock	7,328,784	1,438,284	1,438,284	1,438,284	1,438,284	1,438,284	1,438,284
Surplus	7,929,241	8,873,792	10,421,233	11,503,615	12,665,721	14,805,295	16,338,104
	15,258,444	16,312,500	17,111,115	17,443,780	17,855,914	19,244,758	20,027,587
AVERAGE CAPITAL EMPLOYED	16,852,406	15,785,472	16,711,808	17,277,448	17,649,847	18,550,336	19,636,173
Net Profit	2,368,043	2,779,065	2,583,405	1,842,594	1,941,563	3,358,256	2,579,789
Interest	149,321	49,758	213,110	200,644	166,163	95,565	69,825
	2,517,364	2,828,823	2,796,515	2,043,238	2,107,726	3,453,821	2,649,614
PERCENTAGE RETURN ON AVERAGE CAPITAL EMPLOYED	14.9	17.9	16.7	11.8	11.9	18.6	13.5

Table VII (continued)

	1942 March 26	1943 March 25	1944 March 30	1945 March 29	1946 March 28	1947 March 27	1948 March 31
Current Assets	$ 31,266,791	$ 27,030,360	$ 32,132,901	$ 29,485,180	$ 27,355,756	$ 33,056,751	$ 48,574,119
Current Liabilities	22,398,232	14,668,785	20,636,686	15,665,467	12,048,366	16,600,748	23,786,097
Net Current Assets	8,868,559	12,361,575	11,496,215	13,819,713	15,307,390	16,456,003	24,788,022
Refund - Excess Profits Tax	-	6,771	6,771	101,296	280,591	280,591	280,591
Prepaid Expenses	454,490	339,594	85,542	121,085	155,896	182,183	253,088
Investments	2,171,634	136,287	3,206,817	3,020,990	3,023,186	2,961,466	753,297
Bonds of Subsidiaries	-	-	-	-	-	-	-
Life Insurance (Cash Value)	449,199	481,898	514,395	548,254	578,096	609,052	639,807
Cash with Trustees	-	-	-	-	-	-	-
Land, Building, Equipment	25,315,982	26,120,136	26,867,760	29,382,034	30,938,445	33,362,709	35,738,271
Miscellaneous Assets & Goodwill	1	1	1	1	1	1	1
Total	37,259,865	39,446,262	42,177,501	46,993,373	50,283,605	53,852,005	62,453,077
Deduct							
Reserves							
Depreciation	9,482,828	10,074,002	10,695,659	11,964,260	12,658,843	13,499,327	14,609,408
Surplus Appraisal	5,617,483	5,617,483	5,675,506	5,669,321	5,663,432	5,663,432	5,663,432
Contingent	-	-	-	-	-	-	-
	15,100,311	15,691,485	16,371,165	17,633,581	18,322,275	19,162,759	20,272,840
Capital Employed	22,159,554	23,754,777	25,806,336	29,359,792	31,961,330	34,689,246	42,180,237
Long-Term Liabilities							
Minority Interest of Shareholders	1,532	2,153	2,195	2,219	1,918	20,254	18,087
Special Loan	-	-	-	-	-	-	-
Funds in Trust	-	320,167	372,404	416,441	482,498	532,498	582,498
Funded Debt	1,500,000	750,000	-	-	-	-	5,000,000
Total	1,501,532	1,072,320	374,599	418,660	484,416	552,752	5,600,585
Capital Stock	1,438,284	1,438,284	1,438,284	1,438,284	1,438,284	1,438,284	1,438,284
Surplus	19,219,738	21,244,173	23,993,453	27,502,848	30,038,630	32,698,210	35,141,368
	22,159,554	23,754,777	25,806,336	29,359,792	31,961,330	34,689,246	42,180,237
AVERAGE CAPITAL EMPLOYED	21,093,571	22,957,166	24,780,557	27,583,064	30,660,561	33,325,288	38,434,742
Net Profit	3,839,803	2,991,423	3,742,273	4,634,907	3,860,231	4,483,059	4,407,046
Interest	51,300	32,652	13,840	-	-	-	32,159
	3,891,103	3,024,075	3,756,113	4,634,907	3,860,231	4,483,059	4,439,205
PERCENTAGE RETURN ON AVERAGE CAPITAL EMPLOYED	18.4	13.2	15.2	16.8	12.6	13.5	11.5

Table VII (continued)

	1949 March 30	1950 March 29	1951 March 28	1952 March 26	1953 March 26	1954 March 31	1955 March 30
Current Assets	$ 41,945,312	$ 45,839,959	$ 69,906,974	$ 59,197,147	$ 54,421,755	$ 60,899,078	$ 57,014,680
Current Liabilities	13,405,003	21,820,215	42,604,078	34,714,156	28,494,708	33,847,274	27,119,242
Net Current Assets	28,540,309	24,019,744	27,302,896	24,482,991	25,927,047	27,051,804	29,895,438
Refund - Excess Profits Tax	280,591	221,292	220,844	-	-	-	-
Prepaid Expenses	398,122	414,065	564,006	597,352	693,333	820,353	956,093
Investments	357,613	214,225	151,226	151,624	156,384	156,823	131,383
Bonds of Subsidiaries	-	-	-	-	-	-	-
Life Insurance (Cash Value)	674,523	716,311	753,680	795,929	838,400	883,022	264,053
Cash with Trustees	-	-	-	-	-	-	-
Land, Building, Equipment	37,954,132	40,218,555	42,362,765	46,704,270	52,522,314	56,323,498	59,195,519
Miscellaneous Assets & Goodwill	1	1	1	1	1	1	1
Total	68,205,291	65,804,193	71,355,418	72,732,167	80,137,479	85,235,501	90, 442,487
Deduct							
Reserves							
Depreciation	16,374,170	18,316,533	20,050,501	22,168,710	25,275,399	27,787,862	30,010,520
Surplus Appraisal	5,663,432	5,663,432	5,663,432	5,663,432	5,663,432	5,663,432	5,663,432
Contingent	-	-	-	-	-	-	-
	22,037,602	23,979,965	25,713,933	27,832,142	30,938,831	33,451,294	35,673,952
Capital Employed	46,167,689	41,824,228	45,641,485	44,900,025	49,198,648	51,784,207	54,768,535
Long-Term Liabilities							
Minority Interest of Shareholders	18,773	26,568	45,557	57,452	423,673	406,369	422,471
Special Loan	-	-	-	-	-	-	-
Funds in Trust	-	-	-	-	-	-	-
Funded Debt	7,000,000	-	-	-	200,000	200,000	100,000
Total	7,018,773	26,568	45,557	57,452	623,673	606,369	622,471
Capital Stock	1,438,284	1,438,284	1,438,284	1,438,284	1,438,284	1,438,284	1,438,284
Surplus	37,710,632	40,359,376	44,157,644	43,404,289	47,136,691	49,739,554	52,807,780
	46,167,689	41,824,228	45,641,485	44,900,025	49,198,648	51,784,207	54,768,535
AVERAGE CAPITAL EMPLOYED	44,173,963	43,995,959	43,732,857	45,270,755	47,049,337	50,491,428	53,276,371
Net Profit	4,305,223	5,023,957	6,702,660	1,061,644	6,468,690	5,048,298	5,051,505
Interest	101,922	85,693	-	-	-	-	-
	4,407,145	5,109,650	6,702,660	1,061,644	6,468,690	5,048,298	5,051,505
PERCENTAGE RETURN ON AVERAGE CAPITAL EMPLOYED	10.0	11.6	15.3	2.3	13.7	10.0	9.5

Table VII (continued)

	1956 March 28	1957 March 27	1958 March 26	1959 March 25	
Current Assets	$ 66,540,533	$ 67,554,711	$ 68,042,818	$ 72,710,128	
Current Liabilities	37,678,161	41,377,551	39,645,690	41,061,809	
Net Current Assets	28,862,372	26,177,160	28,397,128	31,648,319	
Refund - Excess Profits Tax	-	-	-	-	
Prepaid Expenses	1,128,552	984,092	1,041,849	919,848	
Investments	630,499	644,174	651,897	793,934	
Bonds of Subsidiaries	-	-	-	-	
Life Insurance (Cash Value)	279,034	306,450	324,070	342,214	
Cash with Trustees	-	-	-	-	
Land, Buildings, Equipment	67,671,896	75,695,646	80,371,381	83,425,647	
Miscellaneous Assets & Goodwill	1	1	1	1	
Total	98,572,354	103,807,523	110,786,326	117,129,963	
Deduct					
Reserves					
Depreciation	34,475,331	37,041,789	40,419,240	43,768,686	
Surplus Appraisal	5,663,432	5,663,432	5,663,432	5,663,432	
Contingent	-	-	-	-	
	40,138,763	42,705,221	46,082,672	49,432,118	
Capital Employed	58,433,591	61,102,302	64,703,654	67,697,845	
Long-Term Liabilities					
Minority Interest of Shareholders	511,582	650,937	667,176	762,148	
Special Loan	-	-	-	-	
Funds in Trust	-	-	-	-	
Funded Debt	-	-	-	-	
Total	511,582	650,937	667,176	762,148	
Capital Stock	1,438,284	1,438,284	1,438,284	1,438,284	
Surplus	56,483,725	59,013,081	62,598,194	65,497,413	
	58,433,591	61,102,302	64,703,654	67,697,845	
AVERAGE CAPITAL EMPLOYED	56,601,063	59,767,947	62,902,978	66,200,750	
Net Profit	6,290,295	5,380,643	6,431,708	5,699,141	
Interest	-	-	-	-	
	6,290,295	5,380,643	6,431,708	5,699,141	
PERCENTAGE RETURN ON AVERAGE CAPITAL EMPLOYED	11.1	9.0	10.2	8.6	Average for 32 years - 11.4

(Exhibit H-197)